FIT FOR THE FUTURE PROPOSAL

RURAL COUNCIL

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CONARGO SHIRE COUNCIL'S PROPOSAL

COUNCIL NAME: Conargo Shire Council

DATE OF COUNCIL RESOLUTION ENDORSING THIS SUBMISSION:
11 June 2015

1.1 EXECUTIVE SUMMARY

It is difficult to envisage a more appropriate council to put forward as a model for the new Rural Council framework. Conargo shire has aspirations of being a leader of local government in regional areas, and believes that it can provide a powerful example of the benefit of the rural council model and its ability to support the unique needs of rural areas of NSW.

Background
Conargo Shire is located in southern NSW and has a small population dispersed over a large geographical area. Its main industry is agriculture, and the shire has a large network of well-maintained roads to support the transport of its produce to market. Conargo currently makes a significant contribution to Australia's primary production sector, including the production of approximately 14% of the nation's rice.

The council has a relatively static population, with a number of villages across the council being the focal points for the strong sense of community and local ownership that its residents have. Like all rural shires, Conargo strives to support the inclusion of its residents and provide appropriate facilities, and feels that its current levels of service and representation to its residents are of a very high standard.

Council has undertaken surveys of its residents as part of this project, with the responses confirming that residents are very satisfied with their level of representation and the levels of service that council provides. The overwhelming view of the community (96.3%) was that continuation as a standalone rural council is the best option for Conargo.

As a result of the feedback from the community and comprehensive investigations undertaken by highly credentialed independent consultants, it was identified that the loss of representation and lowering of service levels it was determined that Conargo Shire not participate in any further investigation into the recommended merger proposal of the ILGRP. All of the evidence attached to this template quite clearly proves that the best option for Conargo Shire is as a Rural Council and the first recommendation would be a significant disadvantage to the shire and its residents

Council has experience with amalgamations, with the merger of the Conargo with Windouran in 2001, and its residents and councillors are therefore well aware of the key considerations in determining the council's best course of action at this time. Following the merger of 2001, council worked hard to secure its financial position and bring Windouran's infrastructure up to standard, and now has a strong balance sheet, with well-maintained infrastructure, minimal infrastructure backlog and no debt. It should be noted that one of the reasons for the success of this merger were that the councils were of a similar nature unlike the recommendations from the ILGRP.

Challenges facing the council

Council has assessed its performance against the Fit for the Future benchmarks and found that all but two of these benchmarks are met by Conargo. Of the benchmarks that were not met, one is for reasons that relate directly to the nature of the council itself, and the other is because council simply has no debt. None of the circumstances that have led to these ratios would change by amalgamating with another council.

Aside from these ratios, council has the challenge of continuing to foster inclusion of its residents, which is assisted by the very effective 355 committees that exist in the various villages, and maintaining the sense of community that is supported by the various community groups and facilities throughout the shire.

The future Rural Council of Conargo

Council has developed a number of initiatives that can assist in improving performance against the various benchmarks going forward, including increased resource sharing with a future JO to further increase services and expansion of road construction and maintenance capabilities to improve own source revenue. The shire is also projected to increase in population over the forward estimates, which will also contribute to an improvement in operating costs per capita.

Conargo shire believes that it is a model for the "Rural Council" definition, with a number of key strengths that many other councils would aspire to emulate, including:

- High levels of professionalism with experienced and committed staff while still maintaining a low administration cost;
- Experienced councillors that show high levels of advocacy for their communities and a selfless commitment to the shire and its governance;
- Strong voter representation, high levels of community engagement and exceptional levels of community support for council's objectives and performance;
- High levels of service and quality infrastructure; and
- Sound financial position.

1.2 SCALE AND CAPACITY

IDENTIFIED OPTIONS FOR CONARGO SHIRE

The Independent Local Government Review Panel identified two options for Conargo Shire Council.

1. Preferred option: Merger between Conargo, Deniliquin and Murray Shires (the addition of Wakool to this merger was also identified as a variation of this option).
2. Alternative option: Rural Council

Conargo Shire has explored both of the options identified by the ILGRP.

Our investigation included:

- Given that the recommendation from ILGRP was a merger between Murray, Deniliquin, Conargo and possibly Wakool Councils, Conargo Shire Council arranged formal meetings with all of these councils regarding potential mergers or opportunities, with 3 of the 4 councils being against a merger with Conargo Shire Council.
- Two day workshop at Mathoura with Advanced Dynamics on 3rd & 4th February 2015. Councils at this meeting were Berrigan, Deniliquin, Conargo, Jerilderie, Murray and Wakool. (Report attached, refer Appendix I)
- Council engaged Graham Bradley of Auswild & Co to review the financial position of Council and neighbouring LGAs to determine suitability for a potential merger. (Report attached, refer Appendix II).
- Council engaged Jeff Roorda of Jeff Roorda & Associates to review infrastructure and asset management plans of Council and neighbouring LGAs to determine suitability for a merger. (Report attached, refer Appendix III).
- Council engaged Ryan Muntz of Crowe Horwath to conduct a review of the above information along with a SWOT analysis and prepare a report against the Fit for the Future Benchmarks to determine the most appropriate option for Conargo Shire. (Report attached, refer Appendix IV).
- Conducted community meetings and surveys to gauge the views of Conargo ratepayers. In both surveys, over 90% of the surveys returned were against merging with another shire. (Survey results attached, refer Appendix V).

As a result of these in depth investigations, feedback from the community, the certain loss of representation and certain lowering of levels of service, Conargo Shire decided not to participate in any further investigation into the recommended merger proposal. All of the evidence attached to this template quite clearly proves that the best option for Conargo Shire is as a Rural Council and the ILGRP recommendation would be a significant disadvantage to the shire and its residents.

We refer to the Executive Summary from the Crowe Horwath report, which stated:

It is our view a Rural Council is the most suitable option for a number of reasons, including:

- *Conargo meets most of the characteristics and ratios detailed in the NSW Government's rural council guidelines;*
- *Conargo's financial position is sound, with no debt, minimal infrastructure backlog, assets maintained to a relatively high standard and significant reserves. Its financial position would therefore appear to be sustainable going forward;*
- *The councils with which it was recommended that Conargo merge do not have such a strong financial position (in relative terms), with significant debt, greater infrastructure backlogs and lower reserves;*
- *Through working with councils in various Joint Operations, Conargo should be assisted in achieving further efficiencies through resource sharing and collaboration, further improving sustainability;*
- *Conargo's residents and ratepayers would face a significant reduction in representation under the proposed merger and there are concerns that this would lead to a reduction in levels of service for Conargo; and*
- *Many of the key priorities of Conargo Shire Council are quite different to those of the other councils under the proposed merger, with no major towns, no potable water or sewerage, no infrastructure backlogs and more of a focus on maintaining a sense of community where the population is dispersed over a wider geographical area.*

We also provide below an extract from the Jeff Roorda & Associates report on asset sustainability ratio and asset renewal funding for Conargo Shire and six neighbouring councils.

Council	Asset Sustainability Ratio %	Asset Renewal Funding Ratio %
Berrigan	77%	48%
Conargo	142%	99%
Deniliquin	45%	5%
Hay	115%	53%
Jerilderie	71%	47%
Murray	82%	73%
Wakool	98%	10%

Asset Sustainability Ratio

It measures whether assets are being renewed at the rate they are wearing out. If the ratio is 100% on average over time, council is ensuring the value of existing infrastructure is maintained. Councils should be replacing assets when they need to be replaced.

Asset Renewal Funding Ratio

It assesses the council's financial capacity to fund asset renewal in the future. A ratio of 100% indicates that the financial plan has the capacity to fund asset renewal in the long term

The above table clearly indicates the disadvantage of Conargo merging with any of the proposed councils given the significant disparity in condition of assets and levels of service and sustainability.

Conargo Shire also has experience with mergers, having amalgamated with Windouran Shire Council in 2001. Of the current group of Conargo Shire councillors, all of them were involved in the merger of 2001. This amalgamation process was successful due to the like for like nature of the two predecessor councils, with common characteristics and priorities (e.g. rural road networks and dispersed populations).

The current group of councillors therefore have a strong understanding of mergers and related issues, and have used this experience in determining whether the proposed merger option, and other options, were the most appropriate outcome for Conargo Shire and its residents.

Following the above investigations, Council has determined that a standalone rural council is the most suitable option for Conargo Shire.

SCALE AND CAPACITY

RURAL COUNCIL CHARACTERISTIC	CONARGO SHIRE COUNCIL'S RESPONSE

1. Small and static or declining population spread over a large area

Conclusion: Conargo satisfies this rural council characteristic.

The Conargo Shire Council covers an areas of 8,738km2, with a population base of approximately 1,577. This population base is projected to increase to 1,700 by 2031 (ref: Office of Planning & Environment).

According to the Rural Lands Strategy of September 2011 (Booth Associates Pty Ltd, "The Conargo Local Government Area is the largest shire in Central Murray but has the second smallest population. It has by far the lowest population density in the Central Murray region".

Current population density is approximately 0.18 persons per km2.

Council has the following rateable properties

Farmland	815
Residential	281
Business	61

2. Local economies that are based on agricultural or resource industries.

Conclusion: Conargo satisfies this rural council characteristic.

The Conargo Shire Council region is largely reliant on mixed grain and livestock farming for the local community's economy.

The Australian Bureau of Statistics showed in 2011 of 835 employed in the Council area, 62% were employed in agriculture, forestry, fishing and mining with the next being 7.7% for health care and social association.

Rural land use in the Conargo LGA has been defined by the ABS (2008) Agricultural Census data for 2005/06. This data is summarised in Table 1.

Table 1: Australian Bureau of Statistics Agricultural Census 2005/06

Land Use	Ha	Proportion	No	Average (ha)
Pastures	651,990	83%	359	1,816
Crops	72,527	9%	255	284
Fallow	34,639	4%	122	284
Remnant vegetation	11,176	1%	92	121
Commercial forestry	579	0%	18	32
Wetlands	751	0%	35	21
Environmentally sensitive	1,658	0%	45	37
Buildings and infrastructure	7,329	1%	260	28
Other	5,558	1%	415	13
Total	**786,207**	**100%**	**395**	**1,900**

Source: ABS 7125 Agricultural Commodities: Small Area Data Australia 2005 to 2006 (reissue)

The area of the Conargo LGA is 8,738km^2. This equates to 873,800ha. Hence the total area described in Table 1 is just under 90% of the LGA.

The reliance on agriculture leaves the area vulnerable to the effects of drought and other natural disasters, as well as produce demand.

Table 2: Value of Agricultural Commodities Produced in 2005/06 in the Conargo LGA

Crop	$	Proportion
Hay	9,053,927	**7%**
Cereal Crops (excluding rice)	22,698,754	**16%**
Rice	38,239,778	**28%**
Legumes	802,356	**1%**
Oilseeds	1,631,117	**1%**
Potatoes	3,792,178	**3%**
Olives	4,867	**0%**
Wine grapes	48,317	**0%**
Total Crop	**76,271,294**	**55%**
Cattle	13,702,273	**10%**
Goats	13,179	**0%**
Pigs	384,013	**0%**
Sheep	9,879,854	**7%**
Milk	27,468,333	**20%**
Wool	10,333,609	**7%**
Livestock Total	61,781,261	**45%**
Total	**138,052,555**	**100%**

Source: ABS 7125 Agricultural Commodities: Small Area Data Australia 2005 to 2006 (reissue)

Approximately 95% of the Ordinary Rates and Annual Charges received by Conargo are attributable to farmland.

3. **High operating costs associated with a dispersed population and limited opportunities for return on investment.**

Conclusion: Conargo satisfies this rural council characteristic.

Conargo covers 8,738km^2, with approximately 1,410km of roads and 0.18 persons per square kilometre.

The agricultural industry is highly reliant on this road network to bring produce to market.

Anticipated annual average capital expenditure between 2015 and 2024 is $6m, with approximately 78% of this expenditure relating to the maintenance and improvement of the road network.

Despite the low population that is dispersed across the shire, Conargo also has a responsibility to provide services to the six villages (Conargo, Blighty, Pretty Pine, Wanganella ,Mayrung and Booroorban) including:

- six community halls;
- four recreational reserves; and
- five waste disposal depots.

Given the above, including the high reliance on agriculture, we believe that there are limited opportunities for Conargo to generate a return on the funds invested.

4. High importance of retaining local identity, social capital and capacity for service delivery.

Conclusion: Conargo satisfies this rural council characteristic.

Conargo has six active management committees with responsibility for community facilities such as halls and recreation reserves, with these management committees also contributing significant funds for the maintenance and improvements of these facilities.

These management committees, in conjunction with council, provide a social outlet for each of the communities, and play a key role in supporting the population and addressing social issues such as depression, suicide and isolation. The management committees play a key role in fostering and maintaining a sense of local identify, especially in challenging times such as periods of prolonged drought.

In a survey sent to all ratepayers in February 2014, approximately 91.2% of participants were in favour of Conargo retaining its identity as a standalone council.

Council posted 785 surveys in May 2015 which requested the Conargo community to advise:

1. Do you support Conargo Shire Council to remain as a separate entity (Rural Council)
2. Do you support an amalgamation with:
    - Conargo, Deniliquin & Murray Councils
    - Or Conargo, Deniliquin, Murray & Wakool Councils

Council had 487 surveys returned with 469 (or 96.3%) advising that they support Conargo Shire Council to remain as a separate entity (Rural Council)

Note: this survey showed a SWOT analysis for council to stand alone or to merge.

When conducting a SWOT analysis with Conargo councillors, the loss of local representation and reductions in service levels under a merger proposal were consistently flagged as significant concerns for the group.

Due to its very low population, if Conargo were to merge with another council its representation would be significantly affected.

The average length of service for current councillors is 18.6 years with one current councillor serving over 28 years. This in conjunction with the survey results indicates that the residents of the Shire are happy with not only the quality of service delivered but also the level of representation.

Council regularly reviews its service delivery to ensure that it is providing a satisfactory level of service to the community. In recent times Council has pursued a number of innovative solutions such as a unique hire agreement with Stabilco to provide a Road Reclaimer, a grader operation review, ongoing reviews into council owned trucks, waste services and village landscaping plans.

5. Low rate base and high grant reliance.

As is the case with all rural councils in NSW, Conargo is no different in its reliance on grant funding as a source of revenue.

Conargo's own source revenue (excluding Financial Assistance Grant) is approximately 46%, which favourably compares to the NSW average of 37% for rural councils (reference: Jeff Roorda & Associates). With the Financial Assistance Grant, being included as own source revenue, the percentage increases to 70% for 2016-17 and also above the 60% for future years.

Conclusion: Conargo satisfies this rural council characteristic.

6. **Difficulty in attracting and retaining skilled and experienced staff.**

As is the case with most rural councils, Conargo has faced challenges in attracting skilled staff, however once staff are recruited, the shire generally retains staff due to being an employer of choice in the region and demonstrated success as a local government authority. Council operates a highly effective performance appraisal system for staff specifically targeting staff development and career opportunity, offering training and progression at all levels.

To demonstrate Conargo Shire being an employer of choice Council has only employed 5 General Managers/Shire Clerks since 1906, and most existing staff are long term employees.

Conargo has faced challenges for some specialist services, but has overcome these with innovative outsourcing solutions without loss of staff or levels of service.

Conclusion: Conargo satisfies this rural council characteristic.

7. **Challenges in financial sustainability and provision of adequate services and infrastructure.**

The Shire received a "Sound" financial rating in the 2013 New South Wales Treasury Corporation assessment. This is a result of focussed asset management plans and practices.

While Conargo has a sound financial position, council still may face a number of challenges in the future with rate pegging and cost shifting putting additional pressure on operating results.

In response to these pressures, council has implemented service level efficiencies by reviewing service levels for low use roads while maintaining service levels for roads and facilities of importance to the community.

Conclusion: Conargo satisfies this rural council characteristic.

8. **Long distance to a major or sub-regional centre.**

Conclusion: Conargo Shire is a significant distance from a major or sub-regional centre, and therefore satisfies this rural council characteristic.

The closest major regional centres to Conargo Shire are:

- Albury/Wodonga 210km (Population 104,609)
- Wagga Wagga 260km (Population 62,871)
- Shepparton 130km (Population 60,500 -Victoria)
- Bendigo 180km (Population 106,971 -Victoria)

While Deniliquin services local needs, we do not believe that it services all of Conargo Shire's needs as a sub-regional centre.

This is especially the case for some of our outlying regions and villages, which in some cases are up to 50km from Deniliquin and typically obtain services from other towns in the region (Tocumwal, Finley, Jerilderie, Hay, Swan Hill etc).

9. Limited options for mergers.

Conclusion: Conargo does not meet this rural council characteristic as there are potential merger options available, including the recommendation from the ILGRP.

We would however note that the Conargo community has indicated that it does not support a merger with any of the potential merger options.

Conargo is placed within reasonable distance of a number of existing councils for potential mergers.

Conargo Shire facilitated one on one meetings with Deniliquin, Murray, Wakool and Jerilderie Councils and also attended a workshop on 3rd & 4th February 2015 facilitated by Advanced Dynamics with Berrigan, Deniliquin, Murray, Jerilderie and Wakool Councils.

From these discussions and workshops it was unanimously agreed by Conargo Shire Councillors' that services to the Conargo Shire would not improve but in fact decline.

The Councillors decision was substantiated by the results of the complete community surveys.

SECTION 2:
CONARGO SHIRE COUNCIL'S CURRENT POSITION

2.1 KEY CHALLENGES AND OPPORTUNITIES

CONARGO SHIRE COUNCIL - SWOT ANALYSIS.	
STRENGTHS	**WEAKNESSES**
• Financially viable now and into the future • Asset management plans show the ability to maintain current levels of service into the future. • No current infrastructure backlogs • Infrastructure standard is good with a strong level of community service • Borrowing power/capacity • Good community relations and understanding of rural issues • Co-operative resource sharing • Fairly low cost administration – not top-heavy • Strong management committees (e.g. 355 committees looking after infrastructure) • Rate base • Currently meeting the objectives of council's strategic plan • Strong representation and community voice • Member of Murray ROC • Associations with private bodies (e.g. Stabilco & MIL) to realise the benefits of resource sharing • Experienced and united Councillors that are in touch with their community • Low crime rate	• Declining population spread over a large geographical area • Reliance on external funding to maintain service levels • Resource limits (human resources) • Ability to deliver a full range of local government functions (that arguably do not need to be delivered for Conargo), including internal audit, planning, compliance • Isolation requires community support/infrastructure to address mental health and social issues • Encouraging rural councils to outsource functions that we may not be able to perform ourselves. • Quality of telecommunications within the shire (telephone and internet). • No natural gas.
OPPORTUNITIES	**THREATS**
• Increase external funding through grants available. • Waste management and the opportunity to provide a waste management facility for the region. • Potential investment in retirement units. • RMS contracts – obtaining a single invitation contract so that local government is granted the road contracts. • Business opportunities. • Land development (which can be done regardless of amalgamations).	• Potential loss or reduction in grant funding, which is a threat to all councils. • Murray Darling Basin Plan is significantly reducing water entitlements and productivity in Conargo Shire. • Continuing effects of climate change could reduce the ability of ratepayers to fund council operations. • Joint Organisation is not currently defined and could potentially drain resources from Conargo Shire without delivering significant benefits.

2.2 PERFORMANCE AGAINST THE FIT FOR THE FUTURE BENCHMARKS

SUSTAINABILITY				
Measure/Benchmark	**2010/2011 performance**	**2011/2012 performance**	**2012/2013 performance**	**2013/2014 performance**
Operating Performance Ratio **(Greater than or equal to break-even average over 3 years)**	0.277 ✓	0.231 ✓	0.155 ✓	0.086 ✓
Own Source Revenue Ratio **(Greater than 60% average over 3 years)**	72% ✓	70% ✓	70% ✓	68% ✓
Building and Infrastructure Asset Renewal Ratio **(Greater than 100% average over 3 years)**	466% ✓	284% ✓	117% ✓	129% ✓
	Note: 2010/11 & 2011/12 Ration higher due to Road Infrastructure not being brought to account and depreciated			

SUSTAINABILITY			
Measure/Benchmark	**Achieves FFTF benchmark?**	**Forecast 2016/2017 performance**	**Achieves FFTF benchmark?**
Operating Performance Ratio **(Greater than or equal to break-even average over 3 years)**	Yes ✓	0.031 ✓	Yes ✓
Own Source Revenue Ratio **(Greater than 60% average over 3 years)**	Yes ✓	70% ✓	Yes ✓
Building and Infrastructure Asset Renewal Ratio **(Greater than 100% average over 3 years)**	Yes ✓	101% ✓	Yes ✓

Fit for the Future benchmarks achieved?

YES - All sustainability benchmarks achieved

INFRASTRUCTURE AND SERVICE MANAGEMENT				
Measure/Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance
Infrastructure Backlog Ratio	0.05%	0.3%	0.4%	0.04%
(Less than 2%)				
Asset Maintenance Ratio	99%	99%	99%	110%
(Greater than 100% average over 3 years)				
Debt Service Ratio	0.0%	0.0%	0.0%	0.0%
(Greater than 0% and less than or equal to 20% average over 3 years)				

INFRASTRUCTURE AND SERVICE MANAGEMENT			
Measure/Benchmark	Achieves FFTF benchmark?	Forecast 2016/2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio	Yes	0.0%	Yes
(Less than 2%)			
Asset Maintenance Ratio	Yes	100%	Yes
(Greater than 100% average over 3 years)			
Debt Service Ratio	No	0.0%	No
(Greater than 0% and less than or equal to 20% average over 3 years)			

Reason Fit for the Future benchmarks not being achieved

Council has no debt and subsequently a Debt Service Ratio of 0%, which fails the benchmark of greater than 0%.

Council's adopted Community Strategic Plan is being fully achieved and there is nothing required that council is unable to provide for financially as it has significant internal restricted reserves and our current levels of service are higher than any of our adjoining councils.

EFFICIENCY				
Measure/Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure per capita over time)	3.98	3.79 	4.34 	4.18 

EFFICIENCY				
Measure/Benchmark	2013/2014 performance	Achieves FFTF benchmark?	Forecast 2016/2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure per capita over time)	4.18	No 	4.08 	Yes 

Reason Fit for the Future benchmarks not being achieved

Currently council has a static population with a large road network and six villages with various community facilities. Council takes pride in maintaining its infrastructure at a very satisfactory standard and the cost of this maintenance is increasing which affects the ratio

There is more transport and larger trucks using the road network which contributes extra cost to the maintenance of the road network

It would be expected that most rural councils would fail this benchmark if the level of service is maintained or improved

Note: 2010/11, 2011/12, 2012/13 and 2013/14 financial benchmarks are from Council's audited financial accounts. The 2016/17 forecast is from Council's adopted long term plans.

2.3 WATER UTILITY PERFORMANCE

Conargo Shire Council does not have direct responsibility for water supply and sewerage management.

SECTION 3:
TOWARDS FIT FOR THE FUTURE

3.1 HOW CONARGO SHIRE WILL BECOME/REMAIN FIT FOR THE FUTURE

CONARGO SHIRE COUNCIL'S KEY STRATEGIES TO IMPROVE PERFORMANCE AGAINST THE BENCHMARKS - 2016-20

OPTION 1: RESOURCE SHARING

Proposal	Implementation	Proposed milestones	Costs	Risks
1. **Compliance Officer** (including animal control, litter, abandoned vehicles, fire prevention) **Responsibility** *General Manager (GM)*	Will source a shared service from another Local Government Authority	Formal agreement in place by 30 June 2016.	Annual contractual amount for the work performed. **Savings $4K p.a.**	LOW Unable to reach agreement with another LGA. Level of service.
2. Local Emergency Management Officer **Responsibility** *Director of Engineering Services (DES)*	Employ a suitable person for the role, to be shared over a number of LGAs.	Formal agreement in place by 30 June 2016.	Cost based on time share arrangement. **No savings**	LOW Unable to reach agreement with other LGAs. Level of service.
3. Road Safety Officer **Responsibility** *(DES)*	Employ a suitable person for the role, to be shared over a number of LGAs.	Formal agreement in place by 30 June 2016.	Cost based on time share arrangement. **Extra cost $15k p.a.**	LOW Unable to reach agreement with other LGAs. Level of service.
4. IT Support **Responsibility** *Administration Manager*	Engage the services of competent IT support person(s) from JO, another LGA or by joint external contract to outsource with one or more other LGAs.	Seek expressions of interest by 31 December 2016, with implementation by 1 July 2017.	Cost based on time share arrangement. **Savings $25k p.a.**	LOW Unable to identify a suitable contractor/partner. Level of service.

Note: Council has been actively involved with resource sharing for a number of years, and has a formal agreement with other LGAs to deliver various services (e.g. library, noxious weeds control, joint plant purchasing, roadworks, etc.).

OPTION 1: RESOURCE SHARING

Efficiency	Infrastructure and Service Management	Sustainability
1. Compliance Officer Do not currently have an employed compliance officer to undertake the role and we are utilising in an ad hoc arrangement neighbouring council's services. The formal agreement will improve and provide greater efficiency for all levels of compliance rather than the few services that we are currently using.	The increased provision of service will be of benefit to our constituents, especially in the area of animal control. This arrangement would eliminate the need for Conargo to construct and maintain an animal shelter/pound along with specialist vehicles and equipment.	This sharing arrangement would improve sustainability for both LGAs in meeting the requirements under the relevant acts and legislation for compliance needs.
2. Local Emergency Management Officer Conargo does not currently have anyone in this role, although the council is about to implement training for a temporary placement. This role is not a full time role for any LGAs in the region. By creating a full time role, efficiency improvements would be implemented in levels of service, training costs and professionalism.	By having a shared resource across the various councils, the infrastructure to support this role would be shared rather than duplicated. This arrangement would also result in an improvement in service due to the role being a specialist (rather than part time) role.	This sharing arrangement would improve sustainability for all of the LGAs in meeting the requirements under the relevant acts and legislation for compliance needs.
3. Road Safety Officer Conargo does not currently have anyone in this role. This role is not a full time role for any LGAs in the region. By creating a shared full time role, efficiency improvements would be implemented in levels of service, training costs and professionalism.	By having a shared resource across the various councils, the infrastructure to support this role would be shared rather than duplicated. This arrangement would also result in an improvement in service due to the role being a specialist (rather than part time) role, as well as improvements in general road safety in the region.	This sharing arrangement would improve sustainability for all of the LGAs, and is supplemented by significant funding towards the officer and road safety projects by Roads & Maritime Services.
4. IT Support This proposal could provide a specialist local government IT officer who is dedicated to servicing Conargo and other shires. This would result in less downtime from IT issues and maintain council's local government software to a higher standard.	The specialist local government IT officer could also assist with training other local government staff. The specialist could also ensure that hardware and software is kept up to date to ensure that Conargo takes advantage of advances in technology and manage services in the most efficient and effective way.	As part of this proposal, it could be arranged for the specialist local government IT officer to be available outside of regular business hours to reduce downtime and the effect of IT issues on other council staff.

OPTION 2: SHARED ADMINISTRATION

Proposal	Implementation	Proposed milestones	Costs	Risks
No significant changes proposed as council only has 1.6 administration officers and one administration assistant.	If circumstances arose where a lower cost administration function could be achieved in conjunction with a JO or otherwise then this option would be seriously considered at that time.	N/A	N/A	If experienced staff were to retire/resign, then replacement of these key personnel could be challenging. This risk is somewhat mitigated by the level of multi-skilling of other staff to cover for these absences.

OPTION 2: SHARED ADMINISTRATION

Efficiency	Infrastructure and Service Management	Sustainability
Council will review any function of council when the opportunity arises through staff resignations or retirements, or if a better service is identified.	Continual training of staff in their specific areas as well as other areas generally to ensure that service standards are maintained.	Ensure that staff are appropriately trained in various functions to cover for absences and remove the requirement for additional administration staff.

Council currently shares professional staff with other LGA's during period of leave.

Council also has in place reciprocal arrangements with other LGA's for the determination of Council owned development applications.

Conargo Shire Council also shares their General Manager with the Central Murray County Council (Noxious Weeds Authority) and has done so for 9 years.

OPTION 3: SPECIALITY SERVICES

Proposal	Implementation	Proposed milestones	Costs	Risks
1. Specialist Plant Provision of specialist plant (road reclaimer) **Responsibility** DES	Expand services to all external bodies, including LGAs, with a perceived need.	Implementation of advertising program by 30 June 2016.	Could increase net profit on private works.	LOW Low perceived risk as specialist plant is already in place. Potential lack of capacity to complete work in peak periods.
2. RMS Contracts Contract work for Roads & Maritime Services for road construction and maintenance **Responsibility** GM/DES	Enter into a contract with RMS for state highways within Conargo Shire Council.	Staged contract to undertake maintenance and construction of these roads, increasing the length of road managed over a five year period, commencing on 1 July 2016.	Initially the cost increases in purchase of plant and equipment would be minimal, however as the contract increased in size, the council's capacity with plant, equipment and staff would need to be increased. It is expected that the council would realise a profit in the order of 20%. Extra profit of 390k after 5 years	HIGH RMS not agreeing to the proposal. Unsatisfactory road works carried out. Inappropriate tender pricing. Attracting competent staff.
3. Human Resources Centre of excellence for Human Resources to provide a range of HR-related services such as job descriptions, salary systems, training, performance appraisals, workplace health and safety, recruitment, performance management, worker's compensation case management. **Responsibility** Human Resource Officer (HR)	Implementation by Conargo Shire, JO or another organisation/private body, which include sourcing of an appropriate resource and establishment of systems to support the role.	Commence negotiations with relevant authorities from 1 January 2017, with implementation from 1 July 2017.	Initial costs could be high, however return on investment over future years would more than recover the funds invested.	MED Other councils not participating. Requires a longer term proposal to recover initial costs.

OPTION 3: SPECIALITY SERVICES

Proposal	Implementation	Proposed milestones	Costs	Risks
4 Asset Management Centre of excellence for Asset Management, including defect assessment, condition assessments, asset valuations, maintenance forecasting and replacement forecasting. **Responsibility** Asset Management Officer	Implementation by Conargo Shire, JO or another organisation/private body, which include sourcing of an appropriate resource and establishment of systems to support the role.	Commence negotiations with relevant authorities from 1 January 2017, with implementation from 1 July 2017.	Initial costs could be high, however return on investment over future years would more than recover the funds invested.	MED Other councils not participating. Requires a longer term proposal to recover initial costs.
5 Road Construction Centre of excellence in road construction incorporating resealing, re-sheeting, line marking and minor pavement repair. **Responsibility** DES	Implementation by Conargo Shire, JO or another organisation/private body, which include sourcing of an appropriate resource and establishment of systems to support the role.	Commence negotiations with relevant authorities from 1 January 2017, with implementation from 1 July 2017.	Initial costs could be high, however return on investment over future years would more than recover the funds invested.	MED Other councils not participating. Requires a longer term proposal to recover initial costs.
6 Quarry Work with other LGAs to purchase an existing quarry or identify a greenfield site that will provide quality base course material and sealing aggregate. **Responsibility** DES	Liaise with other councils for the purchase of an appropriate site. Conduct a survey of sites identified to determine the volume of suitable material that could be extracted.	Council negotiation with other LGAs by 1 January 2017.	Significant capital cost for each council, but ongoing savings in road construction/ maintenance and also higher quality materials for the shire's roads. There are currently no quality sources of this material within a 100km radius of Conargo Shire.	HIGH Councils not agreeing on the purchase of a quarry. No suitable sites identified within the region.

OPTION 3: SPECIALITY SERVICES

Proposal	Implementation	Proposed milestones	Costs	Risks
7. Waste Management Council has significant land base that would allow the development of waste facilities to provide for the region. ***Responsibility*** GM/DES	Undertake a study to determine whether there is a need for a regional waste facility. Conargo Shire has previously been approached from metropolitan areas in Victoria to provide a facility for this purpose.	Study completion by 30 June 2019.	Significant capital cost for Conargo in the development of the regional waste facility, with significant returns once the facility is operational. Additional revenue would have to be investigated in a business case.	HIGH Suitable land not identified. Other councils or private operators not participating.
8. Design & Survey Service Work with other LGAs to provide a specialist survey and design service. This service is currently outsourced by all councils in this region. Would also provide the opportunity to provide this service to the private sector. ***Responsibility*** *Asset Management Officer*	Implementation by Conargo Shire, JO or another organisation/private body, which include sourcing of an appropriate resource and establishment of systems to support the role.	Commence negotiations with relevant authorities from 1 July 2017, with implementation from 1 January 2018.	There would be an initial cost, which would be recovered over future years. There would be an increase in own source revenue from the private sector.	HIGH Other councils not participating. Obtaining suitable staff. Competition from the private sector.
9. Soil Testing Work with other LGAs to provide a specialist soil testing service for construction works. Murray shire already have some capability in this area, although not NATA-registered. Would also provide the opportunity to provide this service to the private sector. ***Responsibility*** DES	Implementation by Conargo Shire, JO or another organisation/private body, which include sourcing of an appropriate resource and establishment of systems to support the role.	Commence negotiations with relevant authorities from 1 July 2017, with implementation from 1 January 2018.Commence negotiations with relevant authorities from 1 January 2017, with implementation from 1 July 2017.	There would be an initial cost, which would be recovered over future years. There would be an increase in own source revenue from the private sector.	HIGH Other councils not participating. Obtaining suitable staff. Competition from the private sector.

OPTION 3. SPECIALTY SERVICES

Efficiency	Infrastructure and Service Management	Sustainability
1. Asset Management Higher usage reduces fixed costs of plant per hour of usage.	Better utilisation of existing plant, potential for higher quality and larger capacity machinery which would reduce operating costs.	Gives capacity to save on natural resources such as cartage of gravel by means of chemical/mechanical stabilisation methods of road construction.
2. RMS Contracts Council's depot is adjacent to the state highway, and is approximately mid-way between the extremes of the extent of the highway. RMS major depot, in comparison, is located in Hay, some 100km from Conargo's depot location (some limited RMS services are offered in Deniliquin). Conargo would realise an immediate efficiency gain in servicing the relevant locations for maintenance activities. Construction work is currently carried out by RMS crews that are sometimes sourced from as far away as Goulburn. It is envisaged that Conargo could realise greater efficiencies by sourcing crews from the local region.	Service management, urgent maintenance issues and emergency response would be better managed due to closer proximity. Conargo shire's reputation for construction and maintenance work is recognised across the region.	Conargo could provide a greater level of service at a reduced cost to RMS, thereby generating savings to the state government as well as a benefit to the community.
3. Human Resources While council currently provides these services, having access to a specialised resource would allow provision of these services to a higher and more efficient standard than is possible with current resourcing.	Develop standard practice that can be utilised by all participants thereby eliminating duplication and achieving economies of scale.	This proposal would improve sustainability by reducing costs, improving consistency and managing risks associated with this area of the organisation. Enhanced HR management would also have a positive effect on staff morale and performance, and assist in attracting and retaining quality staff.
4. Asset Management While council currently provides these services, having access to a specialised resource would allow provision of these services to a higher and more efficient standard than is possible with current resourcing.	Develop standard practice that can be utilised by all participants thereby eliminating duplication and achieving economies of scale.	This proposal would improve sustainability by reducing costs, improving consistency and managing risks associated with this area of the organisation. A standardised approach to issues such as asset condition assessments and special schedule 7 issues would ensure that these are resolved to a consistent standard across a number of LGAs.

OPTION 3. SPECIALTY SERVICES

Efficiency	Infrastructure and Service Management	Sustainability
5 Road Construction Most of these activities are currently outsourced to private contractors or completed in-house with reduced efficiency. This proposal would result in a significant improvement in the efficiency of the service.	Access to specialist services would ensure that the most appropriate repair methods are used, thereby achieving reductions in costs and extending the life of the repair works completed.	It is expected that an improvement in efficiency would result in reduced costs, thereby allowing council to complete more work at equal or lower cost.
6 Quarry This proposal would provide higher-quality material for Conargo and other councils in the region, which would result in improvements in the quality of roads and other infrastructure. This would also provide the opportunity for more efficient use of existing transport equipment.	This proposal would provide a higher quality product and therefore a higher level of service, and would also address increasing requirements of road transport vehicles.	Road making materials are a finite resource and must be managed carefully to ensure sustainability. By using higher quality materials the lifespan of roads constructed can be increased thereby improving sustainability.
7. Waste Management By reducing the number of waste sites, not only in Conargo Shire but also across the region, this will improve the efficiency, operation management and environmental outcomes.	Historically, rural landfill sites have been poorly managed and have poor environmental outcomes. This proposal would address these issues.	This proposal provides the opportunity to accept waste from outside of Conargo Shire (including outside of NSW), reduce operational costs from the numerous sites that currently exist within the shire, and also provide an additional revenue stream to Conargo.
8. Design & Survey Service Most of these activities are currently outsourced to private contractors or completed in-house with reduced efficiency. This proposal would result in a significant improvement in the efficiency of the service.	Dedicated access to specialist services would ensure that survey and design is undertaken more often on projects that may not have been outsourced or carried out in house at a lower level of service.	It is expected that an improvement in efficiency would result in reduced costs and higher quality of work. This initiative could also provide an income stream to council by providing this service to third parties.
9. Soil Testing Most of these activities are currently outsourced to private contractors or completed in-house with reduced efficiency. This proposal would result in a significant improvement in the efficiency of the service.	Dedicated access to specialist services would ensure that geotechnical investigation is undertaken more often on projects that may not have been outsourced or carried out in house at a lower level of service.	It is expected that an improvement in efficiency would result in reduced costs and higher quality of work. This initiative could also provide an income stream to council by providing this service to third parties.

OPTION 4: STREAMLINED GOVERNANCE

Proposal	Implementation	Proposed milestones	Costs	Risks	Efficiency	Infrastructure and Service Management	Sustainability
1. No significant changes No significant changes proposed, as Conargo currently services 8,500km2 with 8 councillors and 11 council meetings per annum (as required under the local government act) In 2001 after an amalgamation with Windouran Shire Council, councillor numbers reduced from 9 to 8 following a transition period. Council would support in the local government act review the reduction in the number of meetings per annum	Submission to local government act review to reduce the minimum number of council meetings per annum.	Comment on the submission prior to closure date.	If the act was changed to reduce the number of meetings, significant costs savings could be realised for both councillors and staff.	Review of act unsuccessful in this area.	As a large shire, Conargo has a number of management committees that report to council or councillors. This structure streamlines governance processes and strengthens community involvement in these areas.	These committees contribute time and financial resources for the maintenance and development of community facilities and projects.	It is expected that merged councils may reduce the enthusiasm and engagement of locals in the management of these facilities.
2. Website Website /social media development. ***Responsibility*** *Administration Officer*	Enhance website to provide greater functionality. Develop a management strategy for the website to ensure that it is maintained.	Training of staff for future development of website by 30 June 2016.	Minimal cost in training.	**LOW** Reduced use of website if not properly maintained.	Provides up to date information to the community rather than relying on print media and radio. Allows online payments and bookings of community facilities. Online complaints register to improve service standards and delivery.	Provides the community with the opportunity to undertake some services electronically at any time.	Reduces costs of interacting with ratepayers. Reduced staffing requirements to respond to community, allowing them to focus efforts in other areas.

OPTION 5: STREAMLINED PLANNING, REGULATION AND REPORTING

Proposal	Implementation	Proposed milestones	Costs	Risks	Efficiency	Infrastructure and Service Management	Sustainability
1 No significant changes No significant changes proposed as council only has one development manager covering areas of town planning, health and building and strategic planning.	Currently implemented	N/A	N/A	LOW If development manager were to retire/resign, then replacement of these key personnel could be challenging. This risk is somewhat mitigated by resource sharing of staff with other LGAs.	The council's planning department is currently streamlined, however if the need arises council has arrangements with various other LGAs to share planning staff. This sharing arrangement is a reciprocal agreement between the various LGAs. Council has been advised that its response times in assessing DAs are the best in the state, and council is concerned that any significant change (e.g. a merger) would be detrimental in this area.	Council's probity and ethics is protected by an external party assessing any council-owned development application. This arrangement is also reciprocal with other LGAs.	Council's current operation is efficient and effective and this is proven by the statistics provided by the Department of Planning. Council's aim is to continually improve in this area while maintaining the high level of service provided.
2. Electronic housing code Finalise implementation of electronic housing code. ***Responsibility*** *Development Manager*	Implementation currently under way in conjunction with the department of planning.	Finalisation by 30 June 2015.	Grant funding to implement.	LOW System errors.	Reduced enquiries to council staff from the community due to information being available online any time.	Reduced staffing requirement while automating enquiries on planning matters.	Reduced staffing requirements for planning enquiries. Government supported initiative.

OPTION 6: SERVICE REVIEW

Proposal	Implementation	Proposed milestones	Costs	Risks	Efficiency	Infrastructure and Service management	Sustainability
Continuous Improvement Council constantly endeavours to achieve continuous improvement in service delivery. Council is providing services identified within the council's strategic plan, and this will be reviewed in 2016. **Responsibility** GM/ DES	Some of the service reviews currently underway, recently completed or proposed include: - Waste management strategy - Review of grader operations - Internal audit procurement - Truck review.	1 January 2016 31 July 2015 Ongoing 1 January 2016	All reviews will provide savings and/or a higher level of service.	LOW Staff perception Community perception Change management	It is expected that any implementation as a result of the review will provide an improvement in efficiency. For example, waste management of landfill sites will eventually introduce a tipping fee and managed sites as supported by the EPA.	It is expected that any implementation as a result of the review will provide an improvement in infrastructure and service management. For example, waste management of landfill sites will extend the life of the sites and improve environmental outcomes.	It is expected that any implementation as a result of the review will provide an improvement in sustainability. For example, waste management of landfill sites will extend the life of the sites and reduce the need to open new landfill sites.

OPTION 7: ADDITIONAL OPTIONS IDENTIFIED BY THE COUNCIL

Proposal	How will it be achieved /Implemented	Proposed milestones	Costs	Risks	Efficiency	Infrastructure and Service management	Sustainability
1. Council land development (lifestyle properties) **Responsibility** GM/DES/ Development Manager	Council will undertake land development for the purpose of increasing rate revenue, increasing population of the shire and making better use of our facilities.	This initiative has already been identified in council's landscaping master plans. Undertake a feasibility study by 1 July 2017	A large proportion of the costs will be internal costs that council has the capability of undertaking in-house.	MED Land may not sell. Costs may be greater than the return.	1. Council has the ability to complete a large proportion of the work involved in this proposal, and can also afford to hold onto land for an extended period of time. This would allow council to stage work over a number of years without the financial constraints that a private developer would face.	This initiative would increase the usage of some of council's existing services that have capacity to support greater numbers.	This initiative would increase population to the shire and increase the rate base (own source revenue).
2. Provide retirement units as an investment for council **Responsibility** GM	Council would fund the construction and the ongoing management of retirement units.	Undertake a feasibility study by 1 July 2018	Substantial outlay in construction, but a return on investment over time. This would contribute to increasing council's own source revenue.	HIGH Units not renting/leasing.	2. Council would attend to some of the construction work and also has the ability to provide administration and ongoing maintenance. Council also has the financial capacity to fund the development over a number of years before returns are generated.	Council recognises that the community has an aging population, and the provision of retirement units would therefore meet the needs of ratepayers. It has also been identified that there is a shortage of this type of retirement unit in the area for ratepayers moving from farming areas into retirement.	Additional revenue stream to council in the future from investment returns (own source revenue) as well as providing a needed service for the community.

OPTION 7: ADDITIONAL OPTIONS IDENTIFIED BY THE COUNCIL

Proposal	How will it be achieved /Implemented	Proposed milestones	Costs	Risks	Efficiency	Infrastructure and Service management	Sustainability
3. Alternative energy sources (e.g. solar farm) **Responsibility** GM	Council would facilitate alternative energy source development, for example this could be by providing infrastructure such as land, roads etc. (possible link with option 1)	Invite EOI to develop alternative energy options by July 2017	Initial cost would be low but development of feasible options maybe quiet high depending on options	MED No willing participants Return on investment	3. We can provide cheaper electricity to small and remote communities, and also generate income from the electricity supplied to the grid	Council has or can acquire suitable land for this type of development and has a climate conducive to this form of energy production	Improvement to the environment with the production of clean energy, reduction in green house emissions

3.2 RURAL COUNCIL ACTION PLAN

ACTION PLAN – KEY ACHIEVEMENTS FOR YEAR 1

Assumptions:

- *First year as a rural council is assumed to be 2016/17*
- *This action plan only lists key strategies not all strategies*
- *If feasibility studies are required, we have assumed that each initiative is feasible for the purpose of this section.*
- *Any proposals requiring formal agreements with other organisations, have assumed that agreement has been reached.*
- *It is assumed that all projects in the 2015/16 have been acted upon (staff engaged and may commence in the 2016/17 year and beyond)*
- *Cost, savings and responsibility for actions have been included in Section 3.1 above.*

Actions	Milestones
IT SUPPORT	Liaise with other LGA and/or Joint Organisation on the sharing of specialist IT staff by 31 December 2016 Subject to other LGA's approval have formal agreement signed first half of 2017 Engage suitable staff to commence late 2016/17 or early 2017/18
RMS CONTRACTS Contract work for Roads & Maritime Services for road construction and maintenance	2015/16 liaise with RMS and have a formal contract to commence 1 July 2016 Subject to agreement with Council and RMS commence recruitment and purchase necessary plant in first half of 2016 The implementation to be stage over a 5 year period
HUMAN RESOURCES Centre of excellence for Human Resources to provide a range of HR-related services such as job descriptions, salary systems, training, performance appraisals, workplace health and safety, recruitment, performance management, worker's compensation case management.	Liaise with other LGA and/or Joint Organisation on the sharing of specialist HR staff by 1 January 2017 Subject to other LGA's approval have formal agreement signed first half of 2017 Engage suitable staff to commence late 2016/17 or early 2017/18
ASSET MANAGEMENT Centre of excellence for Asset Management, including defect assessment, condition assessments, asset valuations, maintenance forecasting and replacement forecasting.	Liaise with other LGA and/or Joint Organisation on the appointment of a specialise asset management team by 1 January 2017 Subject to other LGA's approval have formal agreement signed first half of 2017 Engage suitable staff to commence late 2016/17 or early 2017/18
ROAD CONSTRUCTION Centre of excellence in road construction incorporating resealing, re-sheeting, line marking and minor pavement repair	Commence negotiations with other LGA's in early 2017 with implementation in the 2017/18 year If negotiations satisfactory engage additional staff to undertake work
QUARRY Work with other LGAs to purchase an existing quarry or identify a greenfield site that will provide quality base course material and sealing aggregate	Negotiate with other LGA's to determine interest in pursuing the interest and doing a business case
COUNCIL LAND DEVELOPMENT **(LIFESTYLE PROPERTIES)**	Feasibility study to be completed by 1 July 2017

See Financial Modelling Appendix V

PROCESSES UNDERPINNING THE DEVELOPMENT OF CONARGO SHIRE COUNCIL'S ACTION PLAN.

- Engaged external consultants at Crowe Horwath , Auswild & Co and Jeff Roorda & Associates.
- Identified key action points in conjunction with councillors and senior staff and convened by Crowe Horwath.
- Discussed actions with all staff and USU representatives through tool box meetings and other meetings.
- Discussions with Local Government NSW outlining councils proposal
- Meeting with Adrian Piccoli MP our Local Member to discuss councils proposal
- Prepared financial modelling based on the best available estimates or previous experience.
- Prepared a draft action plan for review by councillors and community (Three public meetings convened at the villages of Pretty Pine, Conargo and Blighty)
- Finalisation of action plan following final review and feedback from councillors.

3.3 COMMUNITY INVOLVEMENT

COMMUNITY CONSULTATION

- Initial communication regarding Fit for the Future program was forwarded to all Conargo Shire residents via a mail drop.
- Information included in quarterly newsletters regarding the Fit for the Future program and council's activities in participating in the process.
- Ongoing discussions with constituents by councillors.
- Survey sent to all ratepayers in February 2014 to gauge community support for a merger or standalone council and also gauge community views with respect to levels of service provided by council.
- Discussions held with the various community management committees throughout the shire in relation to the Fit for the Future program.
- Survey sent to all ratepayers in May 2015 to gauge community views with respect to council performance and potential merger options. (785 sent out 486 returned, 96.3% of responses in favour of being a Rural Council)
- External consultants Crowe Horwath conducted three community meetings at villages throughout the shire, at which time the community was given impartial advice of the challenges facing council and the proposed solutions to overcome the ILGRP first recommendation a merger with Deniliquin, Murray, Conargo and possibly Wakool, or second preference of becoming a Rural Council and that they could make a submission to IPART to support a merger or a rural council.

3.4 OTHER STRATEGIES CONSIDERED

In preparing this Action Plan, Conargo Shire Council have considered other strategies or actions but decided not to adopt them.

STRATEGIES

- Given that the recommendation from ILGRP was a merger between Murray, Deniliquin, Conargo and possibly Wakool Councils, Conargo Shire Council arranged formal meetings with all of these councils regarding potential mergers or opportunities, with 3 of the 4 councils being against a merger with Conargo Shire Council.

- Two day workshop at Mathoura with Advanced Dynamics on 3rd & 4th February 2015. Councils at this meeting were Berrigan, Deniliquin, Conargo, Jerilderie, Murray and Wakool. (Report attached, refer Appendix I)

- Council engaged Graham Bradley of Auswild & Co to review the financial position of Council and neighbouring LGAs to determine suitability for a potential merger. (Report attached, refer Appendix I).

- Council engaged Jeff Roorda of Jeff Roorda & Associates to review infrastructure and asset management plans of Council and neighbouring LGAs to determine suitability for a merger. (Report attached, refer Appendix II).

- Council engaged Ryan Muntz of Crowe Horwath to conduct a review of the above information along with a SWOT analysis and prepare a report against the Fit for the Future Benchmarks to determine the most appropriate option for Conargo Shire. (Report attached, refer Appendix III).

- Conducted community meetings and surveys to gauge the views of Conargo ratepayers. In both surveys, over 90% of the surveys returned were against merging with another shire. (Survey results attached, refer Appendix IV).

As a result of these in depth investigations, feedback from the community, the certain loss of representation and certain lowering of levels of service, Conargo Shire decided not to participate in any further investigation into the recommended merger proposal.

All of the evidence attached to this template quite clearly proves that the best option for Conargo Shire is as a Rural Council and the ILGRP recommendation would be a significant disadvantage to the shire and its residents.

SECTION 4
EXPECTED OUTCOMES

4.1 EXPECTED IMPROVEMENT IN PERFORMANCE

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total improvement over period?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	.071	.074	.038	.042	.032	.049	.062	.075	.077	.079	.082	.011% Change
Own Source Revenue Ratio (Greater than 60% average over 3 years)	68%	67%	70%	72%	75%	77%	78.58%	80.87%	81.89%	82.03%	82.19%	13.9% Change
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	115%	120%	106%	107%	101%	103%	-	-	-	-	-	5%
Infrastructure Backlog Ratio (Greater than 2%)	0%	0%	0%	0%	0%	0%	-	-	-	-	-	Nil
Asset Maintenance Ratio (Greater than 100% average over 3 years)	101%	100%	100%	100%	100%	100%	-	-	-	-	-	Maintaining
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0%	0%	0%	0%	0%	0%	-	-	-	-	-	Nil
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	4.25	4.08	4.01	3.95	4.06	4.13	-	-	-	-	-	.12

NOTE: In 2015/16 it is proposed to replace a bridge that has increased the building and asset renewal ratio. In 2014/15 additional road renewal was undertaken to increase the ratio

The real operating expenditure per capita has not reduced in future years as council is proposing to undertake RMS contract over a 5 year period commencing 2016/17

4.2 FACTORS INFLUENCING PERFORMANCE

FACTORS INFLUENCING PERFORMANCE

Factors affecting anticipated future performance against the benchmarks are detailed below:

- **Own source revenue:** Some of the financial improvements that Conargo hopes to achieve are heavily reliant on formal agreements with other councils, state agencies and the private sector.

  For example, RMCC maintenance contracts would rely on the approval of RMS and the NSW government, and the granting of such a contract may be staged over a number of years thereby affecting the timeline over which the full benefits are realised.

  Other initiatives, for example retirement units, etc. would be reliant on positive outcomes from the appropriate feasibility studies.

- **Debt service ratio:** Conargo Shire does not currently have any debt (despite meeting the priorities identified in Council's strategic plan), however Council has the capacity to borrow to facilitate projects that will generate additional own source revenue and provide greater levels of service to our community.

  Some of the projects identified include construction of retirement units and the purchase of a quarry, and these projects would require debt funding. If council committed to these projects it is likely that the debt service ratio benchmark would be met in the future.

- **Operating expenditure per capita:** Some of initiatives identified in this submission would have the effect of increasing the population within the shire by creating employment and other business and development opportunities.

  Some of initiatives identified in this submission would have the effect of increasing revenue as well as expenditure effectively improving the own source revenue ratio, and having an adverse effect on the operating expenditure per capita.

  If population is increased within the shire, this would then have the effect of lowering the expenditure per capita and therefore council's performance against this benchmark.

  Other efficiency gains would also contribute to reductions in overall expenditure.

  It should also be noted that due to the significant geographical area of the shire and the extensive road network, Conargo's operating expenditure per capita will always be difficult to reduce if the standard of infrastructure is to be maintained.

  In addition to this, the produce that is generated from land in Conargo Shire is increasing in volume due to advances in agriculture even though the population is relatively static. For example, Conargo shire currently grows 14% of Australia's rice, despite having a population of only 1,577 people.

SECTION 5
IMPLEMENTATION

5.1 PUTTING CONARGO SHIRE'S PLAN INTO ACTION

HOW CONARGO SHIRE COUNCIL WILL IMPLEMENT THE RURAL COUNCIL PROPOSAL.

Conargo Shire should be held up as an example of what a successful Rural Council really is, financially viable, adequate reserves to fund requirements, high level of service, modern plant, employer of choice, meeting community expectation in the delivery of the Community Strategic Plan.

Council has adopted the action plan and the responsibility for implementation is the General Manager.

It is proposed through staff consultation, to allocate various actions to individual staff and in consultation with the General Manager further timeframes will be developed and reported on quarterly to council.

Council projects are currently managed under Microsoft Project and full consideration will be given to using that program to ensure all staff are meeting milestones.

Council proposes to adopt another delivery program following the 2016 elections and the Rural Council action plan will be reviewed at that time. Additional improvements could be incorporated then or during various periods if opportunities arise.

APPENDICES

Appendix I	Graham Bradley (Auswild & Co) Report
Appendix II	Geoff Roorda & Associates Report
Appendix III	Ryan Muntz (Crow Horwath) Report
Appendix IV	Community Survey Results
Appendix V	Financial Analysis/Benchmarks

APPENDIX I

GRAHAM BRADLEY (AUSWILD & CO) REPORT

FINANCIAL ANALYSIS OF SELECTED COUNCILS

BERRIGAN SHIRE COUNCIL

CONARGO SHIRE COUNCIL

DENILIQUIN COUNCIL

HAY SHIRE COUNCIL

JERILDERIE SHIRE COUNCIL

MURRAY SHIRE COUNCIL

WAKOOL SHIRE COUNCIL

Prepared by Graham Bradley for Conargo Shire Council

January 2015

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SUMMARY

Conargo Shire Council has requested Auswild & Co to conduct a detailed financial analysis of the following Councils:

- Berrigan Shire Council
- Conargo Shire Council
- Deniliquin Council
- Hay Shire Council
- Jerilderie Shire Council
- Murray Shire Council
- Wakool Shire Council

We understand that this request has been made by the Conargo Shire Council to assist in their deliberations as directed by the Office of Local Government under the Fit for the Future Program.

Whilst we have gained a detailed knowledge of both the Conargo and Murray Shire Councils through our position as auditor, our analysis of the financial position of the other Councils was limited to a review of their financial statements for 2012/2013 and 2013/2014. Consequently, we have made a number of assumptions and predictions which may be questionable and need further clarification. Additionally, we have not attempted to access the condition of Councils infrastructure other than the information disclosed in Note 9. It is our strong recommendation that this task be undertaken by an asset management expert and used in conjunction with our report when determining future directions for Conargo Shire Council.

In conducting our financial analysis we focused our attention on what we consider to be the primary indicators of a Councils financial health, namely:

Operating Surplus/(Deficit) before Capital Movements

We adjusted the operating surpluses for 2013/2014 to reflect the reduced financial assistance grants received due to the Government decision to realign the grants to the year to which they relate.

In our opinion, it is imperative that Councils are able to report a sustainable operating surplus before capital movements and we consider that the following Councils are well position to achieve this:

- Conargo Shire Council
- Deniliquin Council
- Murray Council

For reasons enunciated in the individual reports we are not confident of the other Councils ability to report future operating surpluses.

Importantly, we note the impact of depreciation expenses on the operating result and our analysis revealed that such expenses as a percentage of total operating expenses varied considerably between Councils from a low of 24% at Hay to a high of 40% at Conargo as detailed.

SUMMARY (CONT.)

Conargo Shire Council	40%
Wakool Shire Council	37%
Murray Shire Council	31%
Berrigan Shire Council	29%
Jerilderie Shire Council	29%
Deniliquin Shire Council	27%
Hay Shire Council	24%

Internally & Unrestricted Cash & Investments

Councils ability to fund its future operations without resorting to significant increases in borrowings is probably the greatest challenge confronting local government instrumentalities.

In our opinion, very few Councils in NSW have restricted sufficient funds to properly fund future infrastructure replacement and renewal. The following is our assessment of the Councils internally and unrestricted cash position with position 1 being the best prepared.

1. Conargo Shire Council
2. Murray Shire Council
3. Wakool Shire Council
4. Jerilderie Shire Council
5. Berrigan Shire Council
6. Deniliquin Council
7. Hay Shire Council

Infrastructure, Property, Plant & Equipment

As earlier reported we have not attempted to access the condition of Councils infrastructure other than the information disclosed in Note 9. Importantly however, we did vouch depreciation expenses to access whether Councils were being consistent in their treatment (refer above).

In our opinion, we rate the Councils infrastructure condition as follows with position 1 being the best conditioned.

1. Murray Shire Council
2. Conargo Shire Council
3. Jerilderie Shire Council
4. Wakool Shire Council
5. Berrigan Shire Council
6. Hay Shire Council
7. Deniliquin Council

SUMMARY (CONT.)

Loans

In reviewing Councils loan borrowings we not only assessed their level of debt but also their perceived ability to service the debt commitment. In our opinion only the following Councils had manageable borrowings.

Conargo Shire Council
Murray Shire Council
Deniliquin Council

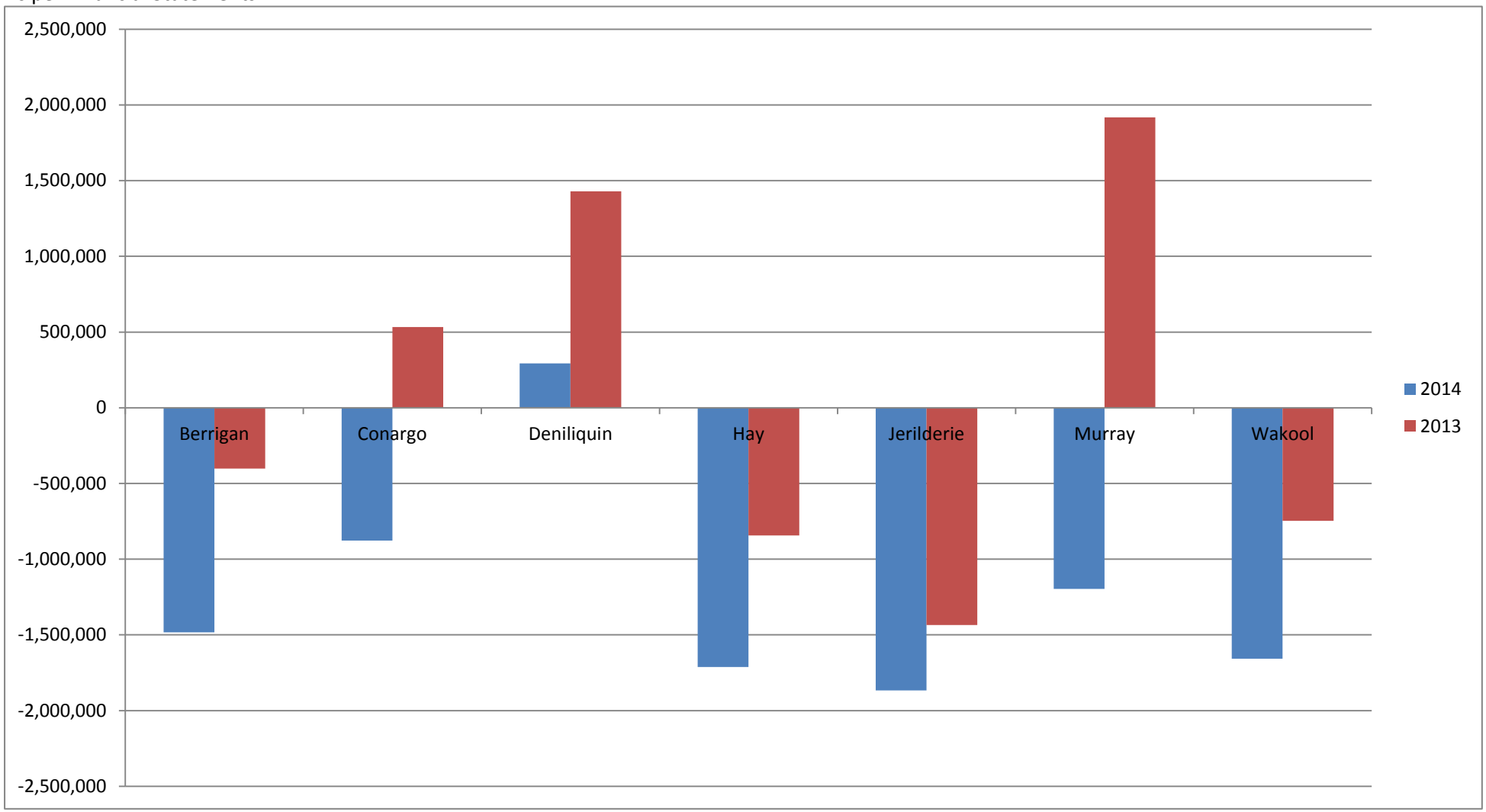
Please contact me if further information or explanations are required and I confirm that I will be attending your Council meeting on Thursday 19th February to present and address my report.

Yours faithfully,
AUSWILD & CO

Graham Bradley

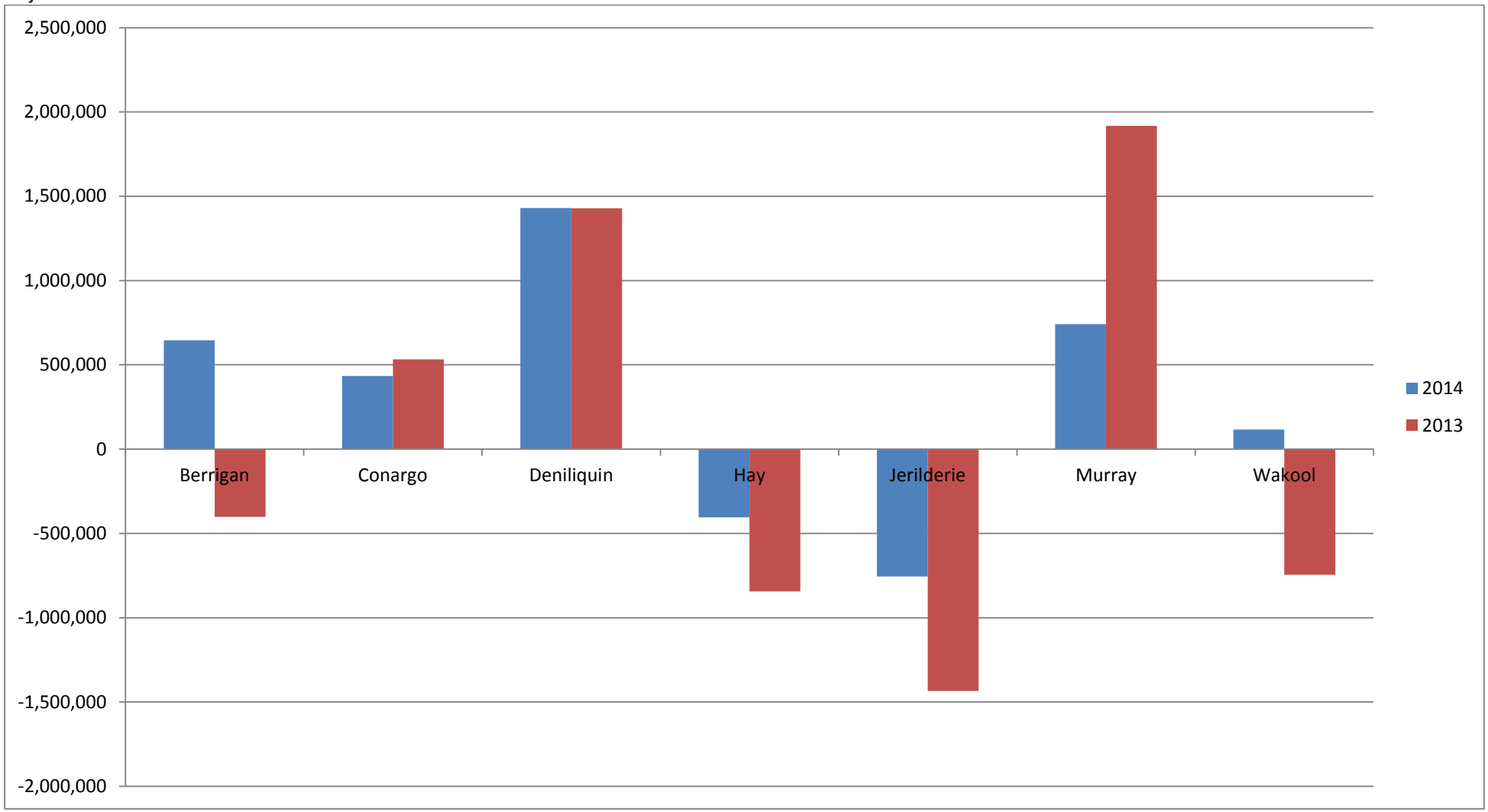
Operating Result before Capital Movements

As per Financial Statements



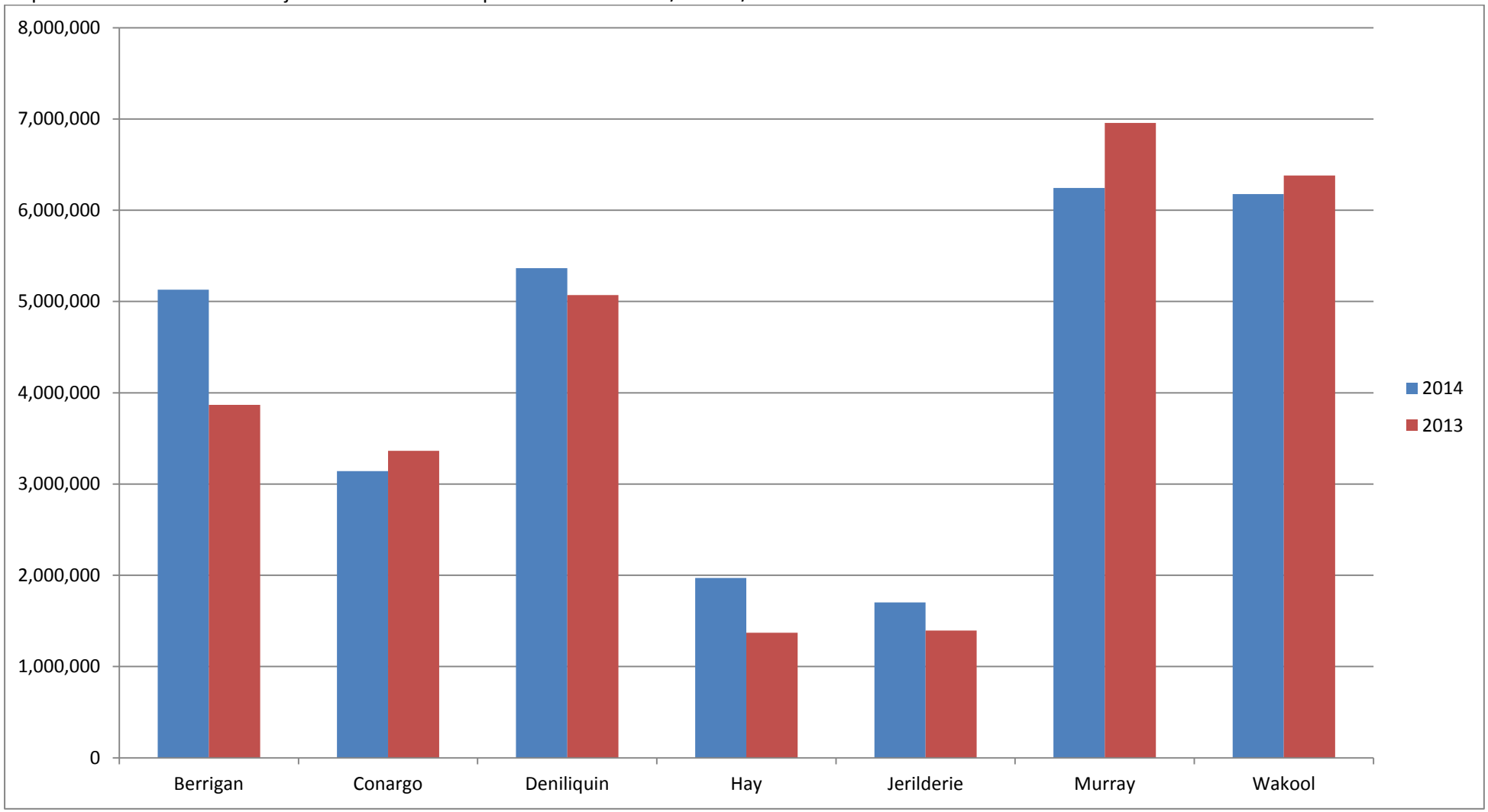
Operating Result before Capital Movements

Adjusted for FAG instalments

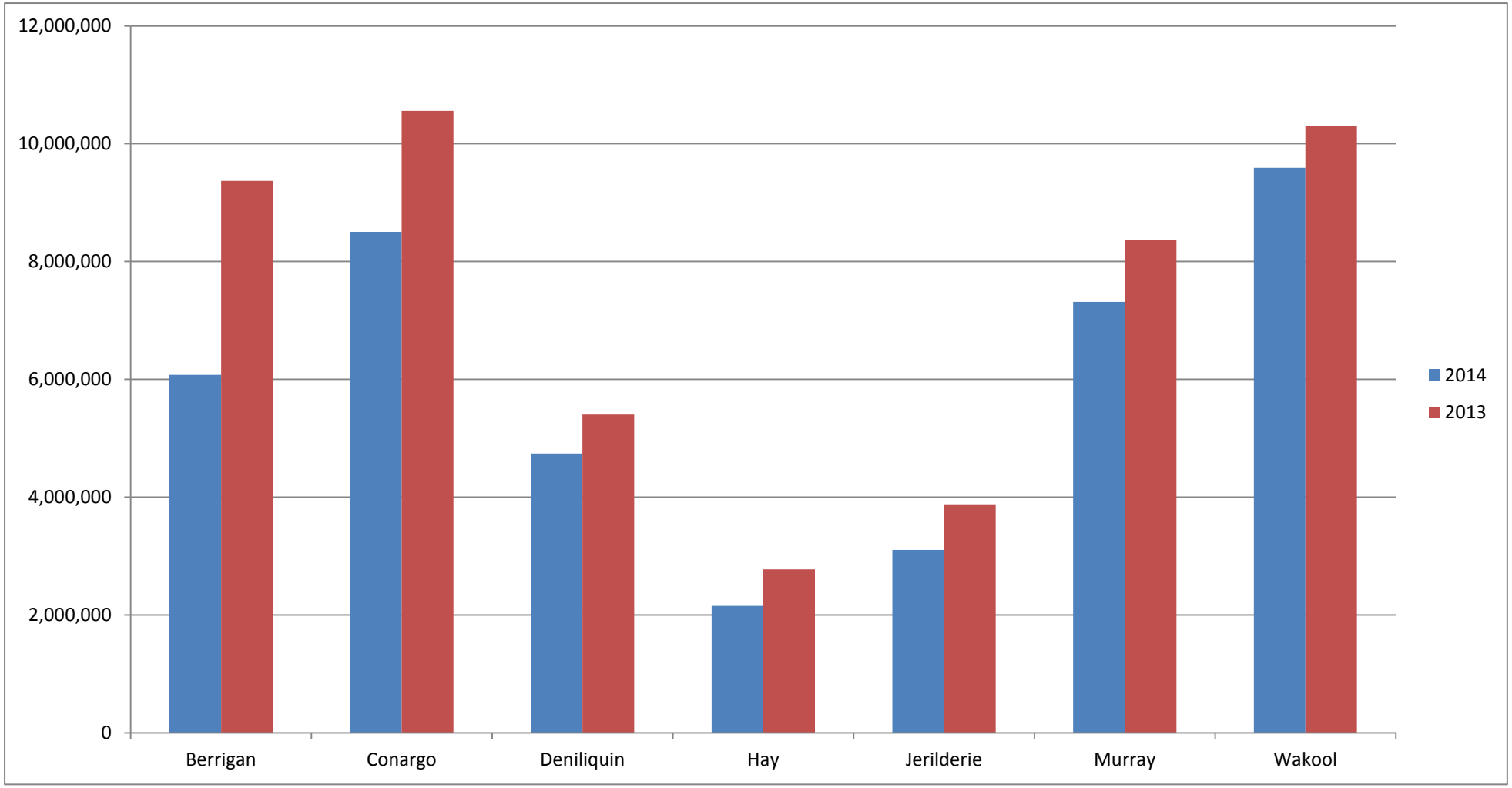


Operating Result before Capital Movements

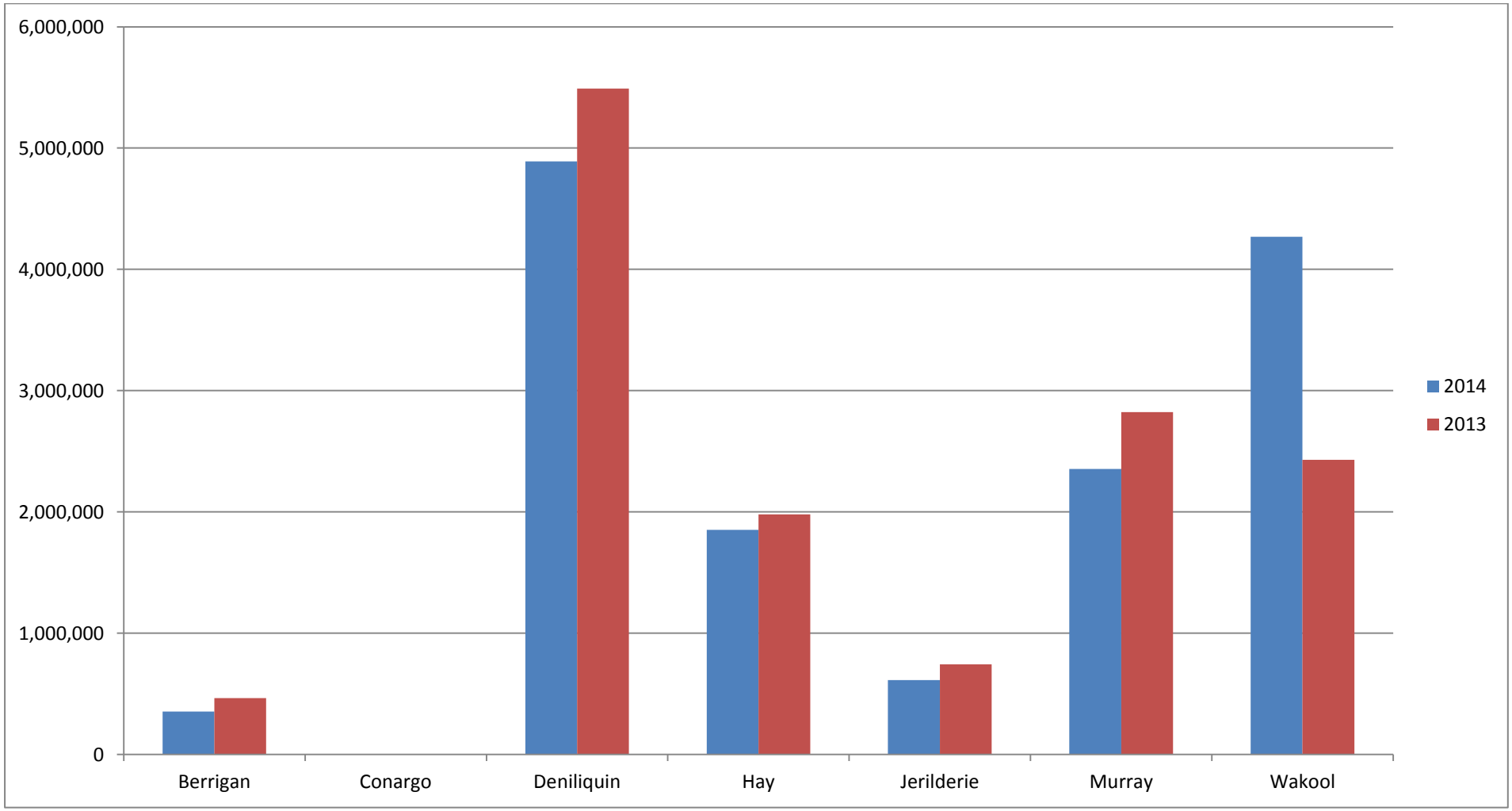
As per Financial Statements adjusted for + FAG + Depn – interest rec'd +/- Gains/Losses



Internal & Unrestricted Reserves



Loans


6,000,000
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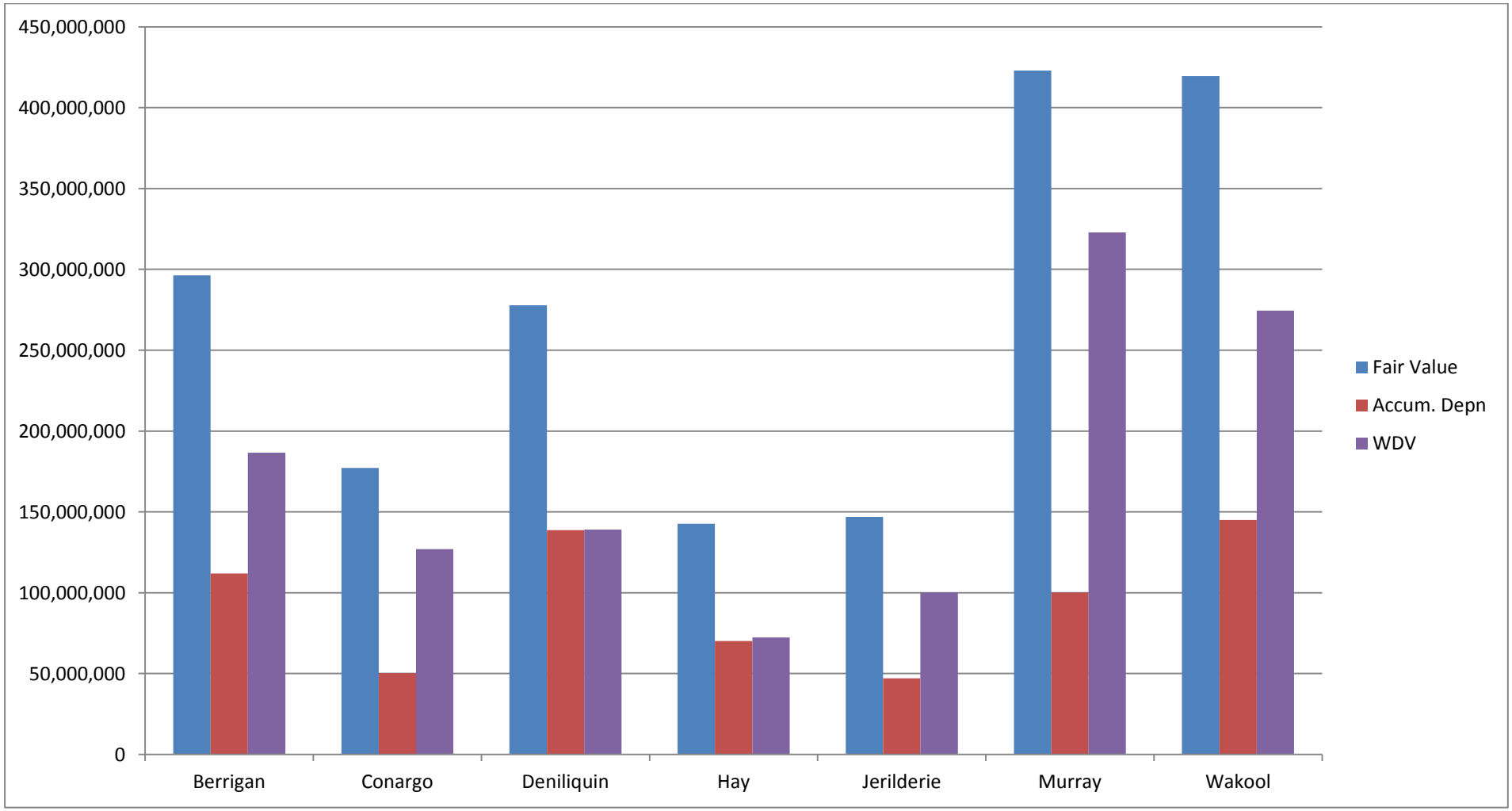
Berrigan
Conargo
Deniliquin
Hay
Jerilderie
Murray
Wakool
2014
2013

Infrastructure, Property, Plant & Equipment



Key Financial Data

2013/2014	Berrigan $	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool
Operating Result (before Capital amounts)	(1,483,000)	(877,000)	293,000	(1,712,000)	(1,866,000)	(1,196,000)	(1,657,000)
Operating Result (adjusted for FAG) *	646,000	434,000	1,430,000	(404,000)	(756,000)	742,000	116,000
Operating Result adjusted for: + FAG & Depreciation expenses & loss on sale – gains on sale & interest received	5,130,000	3,141,000	5,365,000	1,970,000	1,703,000	6,245,000	6,174,000
Internally & Unrestricted Cash & Investments	6,078,000	8,502,000	4,743,000	2,157,000	3,105,000	7,316,000	9,590,000
Depreciation (% of total Operating Expenses)	5,405,000 (29%)	2,986,000 (40%)	4,407,000 (27%)	2,574,000 (24%)	2,632,000 (29%)	6,016,000 (31%)	6,475,000 (37%)
Loans	354,000	Nil	4,890,000	1,852,000	614,000	2,353,000	4,268,000

* Assumption: The FAG grant received in 2013/2014 represents 50% of normal allocation

Key Financial Data (cont.)

Operating Results 2013/2014

Council	Operating Result $	FAG Adjustment $ (B)	Adjusted Operating Result $	Depreciation $	Interest Rec'd $	Gains/Losses $	Abnormals $	Total $
Berrigan	(1,483,000)	2,129,000	646,000	5,405,000	740,000	181,000	A	5,130,000
Conargo	(877,000)	1,311,000	434,000	2,986,000	360,000	(81,000)	A	3,141,000
Deniliquin	293,000	1,137,000	1,430,000	4,407,000	566,000	(94,000)	A	5,365,000
Hay	(1,712,000)	1,308,000	(404,000)	2,574,000	227,000	(27,000)	A	1,970,000
Jerilderie	(1,866,000)	1,110,000	(756,000)	2,632,000	248,000	(75,000)	A	1,703,000
Murray	(1,196,000)	1,938,000	742,000	6,016,000	633,000	(120,000)	A	6,245,000
Wakool	(1,657,000)	1,773,000	116,000	6,475,000	675,000	(258,000)	A	6,174,000

A Assumed no abnormal items

B Assumption: The FAG grant received in 2013/2014 represents 50% of normal allocation

C Unquantifiable asset write off

Operating Results 2012/2013

Council	Operating Result $	FAG Adjustment $	Adjusted Operating Result $	Depreciation $	Interest Rec'd $	Gains/Losses $	Abnormals $	Total $
Berrigan	(402,000)	Nil	(402,000)	5,169,000	825,000	74,000	A	3,868,000
Conargo	533,000	Nil	533,000	3,306,000	456,000	20,000	A	3,363,000
Deniliquin	1,429,000	Nil	1,429,000	4,191,000	770,000	(220,000)	A	5,070,000
Hay	(844,000)	Nil	(844,000)	2,582,000	259,000	108,000	A	1,371,000
Jerilderie	(1,435,000)	Nil	(1,435,000)	2,829,000	280,000	(280,000)	A	1,394,000
Murray	1,917,000	Nil	1,917,000	5,753,000	710,000	3,000	A	6,957,000
Wakool	(746,000)	Nil	(746,000)	6,780,000	722,000	(1,069,000)	C	6,381,000

Key Financial Data (cont.)

Operating Results 2013/2014
By Fund adjusted for FAG

Council	Operating Result General Fund $	Operating Result Water Fund $	Operating Result Sewerage Fund $	Total $
Berrigan	(1,000)	606,000	41,000	646,000
Conargo	434,000	N/A	N/A	434,000
Deniliquin	747,000	(84,000)	767,000	1,430,000
Hay	(480,000)	(58,000)	134,000	(404,000)
Jerilderie	(857,000)	9,000	92,000	(756,000)
Murray	14,000	504,000	224,000	742,000
Wakool	181,000	(49,000)	(16,000)	116,000

Key Financial Data (cont.)

Reserves (Unrestricted)

Council	2014 $	2013 $	Real Estate $
Berrigan	6,078,000	9,368,000	314,000
Conargo	8,502,000	10,559,000	Nil
Deniliquin	4,743,000	5,401,000	Nil
Hay	2,157,000	2,774,000	136,000
Jerilderie	3,105,000	3,878,000	116,000
Murray	7,316,000	8,370,000	4,518,000
Wakool	9,590,000	10,309,000	291,000

Loans

Council	2014 $	2013 $
Berrigan	354,000	465,000
Conargo	Nil	Nil
Deniliquin	4,890,000	5,491,000
Hay	1,852,000	1,980,000
Jerilderie	614,000	743,000
Murray	2,353,000	2,823,000
Wakool	4,268,000	2,429,000

Infrastructure, Property, Plant & Equip.

Council	Fair Value $	Accum. Depreciation $	WDV $	% Depreciated $
Berrigan	296,304,000	111,952,000	186,526,000	38%
Conargo	177,214,000	50,229,000	126,985,000	28%
Deniliquin	277,764,000	138,795,000	138,969,000	50%
Hay	142,576,000	70,165,000	72,411,000	49%
Jerilderie	146,853,000	47,109,000	100,160,000	32%
Murray	423,001,000	100,147,000	322,854,000	24%
Wakool	419,451,000	144,993,000	274,458,000	35%

Depreciation

Council	2014 $	2013 $
Berrigan	5,405,000	5,169,000
Conargo	2,986,000	3,306,000
Deniliquin	4,407,000	4,191,000
Hay	2,574,000	2,582,000
Jerilderie	2,632,000	2,829,000
Murray	6,016,000	5,753,000
Wakool	6,475,000	6,780,000

BERRIGAN SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,483,000)	(402,000)
Operating Result (adjusted for FAG)	646,000	(402,000)
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	5,130,000	3,868,000
Internally & Unrestricted Cash & Investments	6,078,000	9,368,000
Depreciation (% of total Operating Expenses)	5,405,000 (29%)	5,169,000 (28%)
Loans	354,000	465,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $646,000 (2013 - deficit of $402,000).

Depreciation expenses amounted to $5,405,000 and represented approx. 29% of total operating expenses. Roads depreciation expense ($2,060,000) accounted for 38% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result:

- Sewerage charges increased 24% in 2013/2014 to $1.62 million
- Interest received amounted to $740,000 (2013 $825,000)
- Sale of High Security Water amounted to $201,000 (2013 $166,000)
- Gains from the disposal of assets amounted to $181,000 (2013 $74,000)
- Consumption of raw materials & consumables amounted to $3.62 million (2013 $4.55 million)

Berrigan Shire Council appears heavily reliant on non-core income, namely interest on investments, assets disposals and sales of high security water to achieve an operating surplus. These factors together with a substantial reduction in raw materials and consumables have combined to significantly improve Berrigan Shire's operating result in 2013/2014. We express concerns about Council's heavy reliance and future sustainability of these income and expenditure items to achieve an operating surplus.

Additionally, we note that both the Water & Sewerage Funds report satisfactory operating surpluses for 2013/2014 of $606,000 and $41,000 respectively and consequently the General Fund (after adjustment for FAG) is reporting a break even result.

BERRIGAN SHIRE COUNCIL (CONT.)

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $6,078,000 (2013 $9,368,000) whilst reserves in the water & sewerage funds amounted to $4,252,000 and $4,304,000 respectively.

We note that Council also held real estate (available for sale) of $314,000

Infrastructure, Property, Plant & Equipment

Berrigan Shire Council's infrastructure has been depreciated 38% to a written down value of $186.53 million. After adjustments for roads, water & sewerage assets, accumulated depreciation amounts to $42.94 million. There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries minimal debt of $354,000 (2013 $465,000). All the debt attaches to the Water Fund and consequently both the General and Sewerage funds are debt free.

Ratio's

The three main ratio's remain satisfactory, namely:

	2014	**2013**
Unrestricted	4.05	3.49
Debt Service	26.03	33.55
Rates O/S	5.05	5.44

CONARGO SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(877,000)	533,000
Operating Result (adjusted for FAG)	434,000	533,000
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	3,141,000	3,363,000
Internally & Unrestricted Cash & Investments	8,502,000	10,559,000
Depreciation (% of total Operating Expenses)	2,986,000 (40%)	3,306,000 (43%)
Loans	Nil	Nil

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $434,000 (2013 surplus of $533,000).

Depreciation expenses amounted to $2,986,000 (2013 $3,306,000) and represented approx. 40% of total operating expenses. Roads depreciation expense ($2,346,000) accounted for 69% of total depreciation. We note that Conargo Shire has considerably higher depreciation expenses than all other Councils reviewed in this report.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Interest received amounted to $360,000 (2013 $456,000)
- Private works income amounted to $186,000 (2013 $486,000)
- Losses from the disposal of assets amounted to $81,000 (2013 gain $20,000)
- Bad Debt write offs amounted to $45,000 (2013 $Nil)

Conargo Shire Council has an enviable record of consistently reporting operating surpluses before capital amounts. This has continued in 2013/2014 (after adjustment for FAG) and has been achieved after allowing for significant deprecation expenses and without undue reliance on income from non-core activities.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $8,502,000 (2013 $10,559,000).

There are no Water and Sewerage funds.

We note that Council did not hold any real estate (available for sale).

CONARGO SHIRE COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Conargo Shire Council's infrastructure has been depreciated 28% to a written down value of $126.99 million. After adjustments for road assets accumulated depreciation amounts to $15.61 million.

There is therefore only a minimal and acceptable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council has remained debt free for some considerable time and does not anticipate any future borrowings.

Ratio's

The three main ratio's remain sound, namely:

	2014	**2013**
Unrestricted	15.79	19.43
Debt Service	0.00	0.00
Rates O/S	8.87	11.99

DENILIQUIN COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	293,000	1,429,000
Operating Result (adjusted for FAG)	1,430,000	1,429,000
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	5,365,000	5,070,000
Internally & Unrestricted Cash & Investments	4,743,000	5,401,000
Depreciation (% of total Operating Expenses)	4,407,000 (27%)	4,191,000 (26%)
Loans	4,890,000	5,491,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $1,430,000 (2013 surplus of $1,429,000).

Depreciation expenses amounted to $4,407,000 and represented approx. 27% of total operating expenses. Roads depreciation expense ($1,284,000) accounted for 29% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Water charges decreased 14.5% in 2013/2014 to $1.33 million
- Interest received amounted to $563,000 (2013 $492,000)
- Private Works & RMS income amounted to $1.28 million (2013 $604,000)
- Losses from the disposal of assets amounted to $94,000 (2013 $220,000)
- Interest on loans amounted to $274,000 (2013 $521,000)
- Consumption of raw materials & consumables amounted to $2.80 million (2013 $2.99 million)

Deniliquin Council is one of the few Councils to report an operating surplus before capital amounts in 2013/2014. After the adjustment for FAG's the operating result has improved to a commendable $1.43 million. Depreciation expenses appear reasonable (based on industry comparison) and Council is not reliant on non-core income to achieve an operating surplus.

Additionally, we note that the Water Fund has reported a small deficit ($84,000) whilst the Sewerage Fund has reported an operating surplus of $767,000. Consequently the General Fund (after adjustment for FAG) has reported a surplus of $747,000.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $4,743,000 (2013 $5,401,000) whilst reserves in the Water and Sewerage funds amounted to $6,272,000 and $317,000 respectively.

We note that at year end Council's debtor's position was approx. $1.75 million higher than at the same time in previous year and therefore this has adversely impacted on Council's cash position as at 30th June, 2014.

We also note that Council did not hold any real estate (available for sale).

DENILIQUIN COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Deniliquin Council's infrastructure has been depreciated 50% to a written down value of $138.97 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $48.53 million.

There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries debt of $4,890,000 (2013 $5,491,000). The Water Fund is debt free whilst the borrowings attaching the General Fund and Sewerage Fund amount to $3,459,000 and $1,431,000 respectively.

Deniliquin Council in our opinion has very manageable loan borrowings.

Ratio's

The three main ratio's remain relatively sound, namely:

	2014	**2013**
Unrestricted	3.16	2.57
Debt Service	5.79	6.10
Rates O/S	7.10	12.51

HAY SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,712,000)	(844,000)
Operating Result (adjusted for FAG)	(404,000)	(844,000)
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	1,970,000	1,371,000
Internally & Unrestricted Cash & Investments	2,157,000	2,774,000
Depreciation (% of total Operating Expenses)	2,574,000 (24%)	2,582,000 (25%)
Loans	1,852,000	1,980,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a deficit of approx. $404,000 (2013 deficit of $844,000).

Depreciation expenses amounted to $2,574,000 and represented approx. 24% of total operating expenses. Roads depreciation expense ($1,028,000) accounted for 38% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Interest received amounted to $227,000 (2013 $259,000)
- Private Works income amounted to $164,000 (2013 $274,000)
- No income was received for RMS works
- Losses from the disposal of assets amounted to $27,000 (2013 profit $108,000)
- Interest on loans amounted to $141,000 (2013 $140,000)
- Consumption of raw materials & consumables amounted to $1.76 million (2013 $1.46 million)
- Contractor & Consultancy costs amounted to $1.00 million (2013 $1.57 million)

Hay Shire Council has reported poor operating results and in our opinion Council is unlikely to achieve an operating surplus in the foreseeable future. With limited avenues available to increase its revenue base and with a depreciation percentage in the lower range, Hay Shire Council requires considerable financial assistance.

Additionally, we note that the Water Fund has reported a small deficit ($58,000) whilst the Sewerage Fund has reported an operating surplus of $134,000. Consequently the General Fund (after adjustment for FAG) has reported a deficit of $480,000.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $2,157,000 (2013 $2,774,000) whilst reserves in the Water & Sewerage Funds amounted to $1,642,000 and $2,343,000 respectively.

We note that Council also held real estate (available for sale) of $136,000

HAY SHIRE COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Hay Shire Council's infrastructure has been depreciated 49% to a written down value of $72.41 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $24.49 million.

There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries debt of $1,852,000 (2013 $1,980,000). All borrowings attach to the General Fund.

Although loans are considered low by industry standards we note that Hay Shire Council has limited capacity for further borrowings as it would be unable to responsibly service the commitment.

Ratio's

The unrestricted and debt service ratio's are within industry benchmarks however the rates outstanding ratio remains unacceptably high.

	2014	**2013**
Unrestricted	2.68	3.28
Debt Service	3.80	7.39
Rates O/S	16.05	18.20

JERILDERIE SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,866,000)	(1,435,,000)
Operating Result (adjusted for FAG)	(756,000)	(1,435,000)
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	1,703,000	1,394,000
Internally & Unrestricted Cash & Investments	3,105,000	3,878,000
Depreciation (% of total Operating Expenses)	2,632,000 (29%)	2,829,000 (29%)
Loans	614,000	743,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a deficit of approx. $756,000 (2013 deficit of $1,435,000).

Depreciation expenses amounted to $2,632,000 and represented approx. 29% of total operating expenses. Roads depreciation expense ($1,592,000) accounted for 60% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Interest received amounted to $248,000 (2013 $280,000)
- Private Works & RMS income amounted to $1.46 million (2013 $1.81 million)
- Losses from the disposal of assets amounted to $75,000 (2013 loss $280,000)
- Interest on loans amounted to $56,000 (2013 $63,000)

Jerilderie Shire Council has reported poor operating results and in our opinion Council is unlikely to achieve an operating surplus in the foreseeable future. With limited avenues available to increase its revenue base Jerilderie Shire Council requires considerable financial assistance.

Additionally, we note that the Water and Sewerage Funds have reported small surpluses of $9,000 and $92,000 respectively whilst the General Fund (after adjustment for FAG) has reported a deficit of $857,000.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $3,105,000 (2013 $3,878,000) whilst reserves in the Water & Sewerage Funds amounted to $910,000 and $1,786,000 respectively.

We note that at year end Council's debtor's position was approx. $518,000 higher than at the same time in the previous year however we also note that there was a similar increase in creditors and therefore there has been no real impact on Council's cash position as at 30th June, 2014.

We report that Council also held real estate (available for sale) of $116,000.

JERILDERIE SHIRE COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Jerilderie Shire Council's infrastructure has been depreciated 32% to a written down value of $100.16 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $15.56 million.

There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries debt of $614,000 (2013 $743,000). All borrowings attach to the General Fund.

Although loans are considered low by industry standards we note that Jerilderie Shire Council has limited capacity for further borrowings as it would be unable to responsibly service the commitment.

Ratio's

The unrestricted and debt service ratios are within industry benchmarks however the rates outstanding ratio remains unacceptably high.

	2014	**2013**
Unrestricted	2.89	4.71
Debt Service	4.15	7.58
Rates O/S	12.31	11.91

MURRAY SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,196,000)	1,917,000
Operating Result (adjusted for FAG)	742,000	1,917,000
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	6,245,000	6,957,000
Internally & Unrestricted Cash & Investments	7,316,000	8,370,000
Depreciation (% of total Operating Expenses)	6,016,000 (31%)	5,753,000 (30%)
Loans	2,353,000	2,823,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $742,000 (2013 surplus of $1,917,000).

Depreciation expenses amounted to $6,016,000 and represented approx. 31% of total operating expenses. Roads depreciation expense ($3,194,000) accounted for 53% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Interest received amounted to $633,000 (2013 $710,000)
- Private Works & RMS income amounted to $1.19 million (2013 $1.20 million)
- Investments losses recouped in 2014 amounted to $Nil (2013 $382,000)
- Losses from the disposal of assets amounted to $120,000 (2013 gain $3,000)
- Interest on loans amounted to $81,000 (2013 $104,000)
- Materials and Consumables amounted to $4.00 million (2013 ($4.77 million)

Murray Shire Council has an enviable record of consistently reporting operating surpluses before capital amounts. This has continued in 2013/2014 (after adjustment for FAG) and has been achieved after allowing for significant deprecation expenses and without undue reliance on income from non-core activities.

Additionally, we note that all Funds have reported an operating surplus being: Water Fund - $504,000, Sewerage Fund - $224,000 and the General Fund (after adjustment for FAG) - $14,000.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $7,316,000 (2013 $8,370,000) whilst reserves in the Water & Sewerage Funds amounted to $1,291,000 and $3,064,000 respectively.

We note that at year end Council's debtor's position was approx. $294,000 higher than at the same time in the previous year however we also note that there was a similar increase in creditors and therefore there has been no real impact on Council's cash position as at 30th June, 2014.

We report that Council also held real estate (available for sale) of $4,518,000

MURRAY SHIRE COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Murray Shire Council's infrastructure has been depreciated 24% to a written down value of $322.85 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $30.99 million.

Although there is a significant gap between the accumulated depreciation and asset replacement funds held in reserves, we note that Council holds considerable developed real estate which if so desired could be earmarked for future asset replacement.

Loans

Council carries debt of $2,353,000 (2013 $2,823,000). The Sewerage Fund is debt free whilst borrowings attach to the General Fund ($1,822,000) and Water Fund ($531,000).

Council's borrowings are well within its means.

Ratio's

The three main ratio's remain sound, namely:

	2014	**2013**
Unrestricted	3.17	3.99
Debt Service	6.52	8.83
Rates O/S	7.60	5.06

WAKOOL SHIRE COUNCIL)

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,657,000)	(746,000)
Operating Result (adjusted for FAG)	116,000	(746,000)
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	6,176,000	6,381,000
Internally & Unrestricted Cash & Investments	9,590,000	10,309,000
Depreciation (% of total Operating Expenses)	6,475,000 (37%)	6,780,000 (36%)
Loans	4,268,000	2,429,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $116,000 (2013 deficit of $746,000).

Depreciation expenses amounted to $6,475,000 and represented approx. 37% of total operating expenses. Roads depreciation expense ($3,261,000) accounted for 50% of total depreciation.

Wakool Shire Council financial results for the past two years have been impacted by significant flood damage and the resulting grant/contribution funds appear to have been brought to account as operating income. We have been unable to determine the extent to which the remediation work to which these grants/contributions were related have been capitalised (if any) and therefore we are unsure as to their impact on the operating result. We do however note that considerable grants and contributions monies remained unspent at year end.

Although we observed no other significant abnormal items we note the following income & expenditures which have also had a material impact on the operating result

- Interest received amounted to $673,000 (2013 $722,000)
- Private Works & RMS income amounted to $1.07 million (2013 $1.16 million)
- Employee costs have greatly reduced in 2013/2014, presumably due to capitalised flood damage works in the previous year
- Contractor & Consultancy costs have also greatly reduced in 2013/2014, presumably due to capitalised flood damage works in the previous year
- Interest on loans amounted to $248,000 (2013 $173,000)
- Losses from the disposal of assets amounted to $258,000 (2013 $1.07 million)

Wakool Shire Council appears heavily reliant on non-core income, namely interest on investments to achieve an operating surplus. This together with the possibility of unspent operating grants have combined to significantly improve Wakool Shire's operating result in 2013/2014. We also note that Council has increased its borrowings in 2013/2014 and we therefore expect borrowings costs to increase in 2014/2015. Consequently, we express concerns about Council's ability to achieve future sustainable operating surpluses.

Additionally, we note the minor funds have reported operating deficits in 2013/2014, namely Water Fund ($49,000) and Sewerage Fund ($16,000) whilst the General Fund (after adjustment for FAG) has reported a surplus of $181,000.

WAKOOL SHIRE COUNCIL (CONT.)

Internally & unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $9,590,000 (2013 $10,309,000) whilst reserves in the Water & Sewerage Funds amounted to $1,478,000 and $1,664,000 respectively.

We note that Council also held real estate (available for sale) of $291,000

Infrastructure, Property, Plant & Equipment

Wakool Shire Council's infrastructure has been depreciated 35% to a written down value of $274.46 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $50.43 million.

There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries debt of $4,268,000 (2013 $2,429,000). Minimal borrowings are held in the minor funds whilst borrowings in the General Fund amount to $4,196,000.

Although Council's loans would not be considered high by industry standards we note that Wakool Shire Council has limited capacity for further borrowings as it would be unable to responsibly service the commitment.

Ratio's

The unrestricted and debt service ratio's are within industry benchmarks however the rates outstanding ratio remains unacceptably high.

	2014	**2013**
Unrestricted	3.99	4.93
Debt Service	5.06	9.04
Rates O/S	11.58	10.97

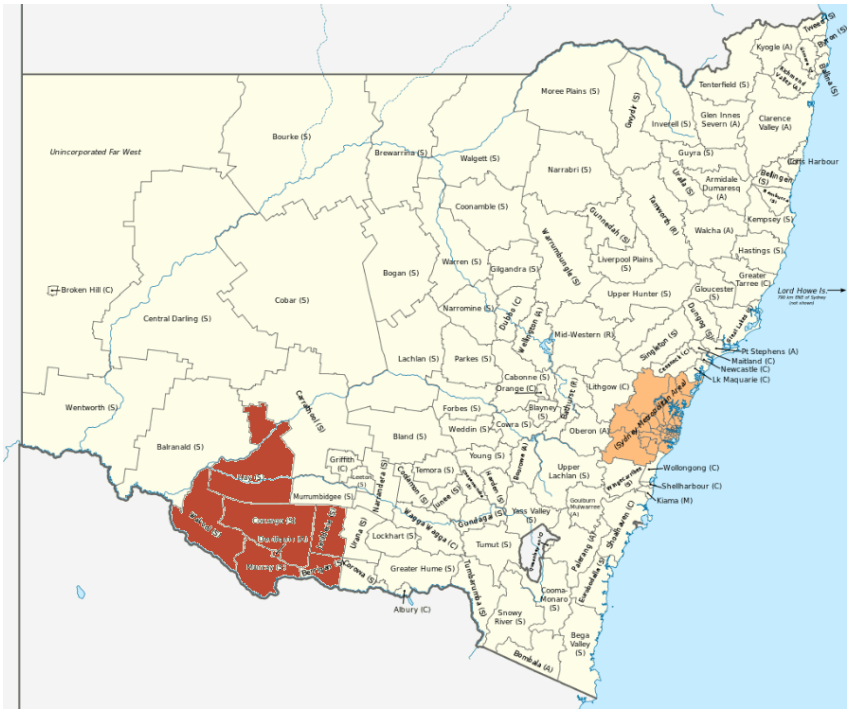
APPENDIX II

GEOFF ROORDA & ASSOCIATES REPORT

2015 Regional Infrastructure Study

Berrigan, Conargo, Deniliquin, Hay, Jerilderie, Murray and Wakool Shire Councils

A report prepared by Jeff Roorda, JRA



Version 2.00

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Document Control	

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Ver. Nº	Date	Revision Details	Author	Reviewer	Approver
1.00	17 Feb 2015	Version 1 – First DRAFT for comment	SV(JRA) JR (JRA)	JR (JRA) J.Comrie (JAC)	
1.00	18 Feb 2015	FINAL REPORT	SV(JRA) JR (JRA)	JR (JRA) J.Comrie (JAC) B. Barlow (CSC)	
2.00	19 Feb 2015	FINAL REPORT incorporating examples of asset and risk management practices at Conargo & Wakool Shires	SV(JRA) JR (JRA)	JR (JRA) B. Barlow (CSC)	JR

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ABBREVIATIONS

ACELG	Australian Centre of Excellence for Local Government
AIFMG	Australian Infrastructure Financial Management Guidelines (IPWEA)
AM	Asset Management
AMIP	Asset Management Improvement Plan
AM Plan	Asset Management Plan
AMS	Asset Management Strategy
CSP	Community Strategic Plan
IIMM	International Infrastructure Management Manual (IPWEA)
IPWEA	Institute of Public Works Australasia
IRMP	Infrastructure Risk Management Plan
JRA	Jeff Roorda & Associates
KMS	Knowledge Management Strategy
LGPMC	Local Government and Planning Ministers' Council
LTFP	Long Term Financial Plan
NAF	National Assessment Framework
NAMF	National Asset Management Framework
NAMS.PLUS	IPWEA Online Guided Pathway for Asset Management Planning – Tools & Templates
NSoA	National State of the Assets

1. EXECUTIVE SUMMARY

This infrastructure study has been prepared for the seven councils of Berrigan, Conargo, Deniliquin, Hay, Jerilderie, Murray and Wakool.

The main purpose of the study is to:

- Provide information in relation to the extent and performance of local infrastructure;
- Identify current infrastructure risk exposure;
- Determine the ability of Councils to meet long term investment needs in the renewal and acquisition of infrastructure assets; and
- Recommend improvements to the management and reporting of council's infrastructure assets.

Councils' combined local infrastructure has a replacement value of $1.51bn, which is being consumed at the rate of 1.7% or $26M per annum and its current written down value is $891M as reported in councils audited Financial Statements as at 30th June 2014.

All councils were rated as Moderate or Sound (with the exception of Wakool who was rated as Weak) under the TCorp assessment suggesting most councils have adequate capacity to meet financial commitments in the short to medium term and have the ability to address operating deficits with moderate revenue and/or expense adjustments. Since the rating by TCorp, Wakool has updated asset management plans and JRA would now consider Wakool as Moderate.

The value of road infrastructure being reported in a poor to very poor condition is $110M which is 14% of the total current replacement cost (NSoA, 2014). This compares to the national total of 11% of road infrastructure in poor to very poor condition.

The estimated cost to bring to a satisfactory standard reported in Special Schedule 7 is $49M but the calculation methodology is inconsistent and JRA considers the current reporting methodology unreliable.

The extent of borrowings (debt) being reported at the end of June 2014 is $14.3M with an operating result excluding capital grants of -$8.5M.

Risks Critical to Council's Operations

Under current conditions Council forecasts continuous operating deficits (excluding capital grants and contributions) that will require service level reduction.

Councils with advanced asset management plans (such as Conargo and Wakool) are already planning a sustainable position by reducing service levels and managing high residual risks in consultation with the community. This includes reverting low volume sealed roads to gravel (Conargo) and reducing gravel resheeting frequencies on low priority unsealed roads and replacing failed timber bridges (Wakool). All councils are able to manage risks by rebalancing service levels and revenues with our without amalgamations.

Asset Management Capability

Asset management practice and capability is improving with most councils adopting IIMM principles and all have access to AM templates and modelling tools via the IPWEA NAMS.PLUS online guided pathway for asset management planning.

Findings

Councils are reporting wide variances in the cost to bring infrastructure to a satisfactory standard which is mainly a reflection of differing methods of calculation. The use of written down value in Special Schedule 7 condition profiles has the potential to provide misleading results.

Councils are carrying low levels of debt but also have low capacity to repay additional borrowings.

All Councils in this group are updating asset management plans and special schedule 7 reporting in alignment with revaluation of roads and drains and fit for the future applications will reflect these updates. This is likely to show an improved sustainability position for all councils by rebalancing revenues and service levels.

Individually and collectively, councils in the region are planning to reduce service levels to balance long term revenues and expenditures. Most councils have competent asset management practices, however given the forward outlook for reduced service levels by all councils, asset and risk management plans should be updated annually, connect to the budget process and align with annual reporting on service levels and risk trends.

Amalgamations are unlikely to change this downward service level trend. The cause of service level reduction is a long and continuing trend of grant revenues not keeping up with cost increases. The low ratio of population to infrastructure means increasing rates to fill the funding gap without reducing services would result in social equity problems.

Recommendations

1. Apply a regionally consistent approach to the inputs and outputs for asset revaluation, resourcing strategies and sustainability reporting.[1]
2. Prepare a regional asset management and communication engagement strategy to communicate the planned downward trend for service levels and the reasons for this trend irrespective of amalgamations.
3. Update the IP&R resourcing strategies to balance LTFP and AM Plans with service level and risk projections in parallel with the revaluation of roads and drains.

[1] Resources are available on http://www.datashare.net.au/

2. INTRODUCTION

In December 2014 Jeff Roorda & Associates (JRA) was approached to undertake a regional infrastructure study of seven local councils to:

1. Provide information in relation to the extent and performance of local infrastructure;
2. Identify current infrastructure risk exposure;
3. Determine the ability of councils to meet long term investment needs in the renewal and acquisition of infrastructure assets; and
4. Recommend improvements to the management of council's infrastructure assets.

The seven local councils studied are located in the Riverina region of south-western New South Wales, Australia.

1. Berrigan Shire Council
2. Conargo Shire Council
3. Deniliquin Council
4. Hay Shire Council
5. Jerilderie Shire Council
6. Murray Shire Council
7. The Council of the Shire of Wakool

The following six main infrastructure categories (where operated) were analysed at a network level as part of study.

1. Buildings
2. Roads[2]
3. Water
4. Sewerage
5. Stormwater
6. Open Space/Recreational

Background

Table 1: Comparative council data

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total	NSW
Land Area (km²)	2,066	8,738	143	11,326	3,373	4,345	7,521	37,512	800,642
Population 2014	8,644	1,689	7,633	3,349	1,674	7,319	4,389	34,697	7,500,600
Population 2034	9,600	1,900	6,100	2,300	1,300	10,900	3,700	35,800	9,300,000
Councillors (Nº)	8	8	7	8	7	9	6	53	1,480
Population per Councillor (Nº)	1,081	211	1,090	419	239	813	732	655	5,068
Council employees (Nº)	87	37	75	53	45	82	72	451	44,699
Council employees per 100 persons	1.0	2.2	1.0	1.6	2.7	1.1	1.6	1.3	0.6

[2] Excludes bulk earthworks.

The total land area of the seven councils combined is 37,512 km² with the current population of approximately 35,000 likely to remain stable with a 2% increase to 35,800 predicted by 2034.

Total number of sitting councillors is 53 each representing 655 people and the number of council employees is 451.

Table 2: Comparative financial data

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Total operating revenue 2014	$18,913	$6,732	$17,337	$9,863	$8,433	$18,946	$16,963	$97,187
Total Rates & Annual Charges 2014	$8,629	$2,404	$8,765	$3,805	$2,169	$7,484	$5,918	$39,174
Annual Average Capital expenditure (2015-2024)	$6,165	$6,040	$1,995	$2,218	$3,100	$7,109	$8,382	$35,010
Infrastructure assets as at 30 June 2014 (DRC)	$166,615	$100,922	$129,664	$66,610	$65,575	$169,000	$193,002	$891,388
Debt as at 30 June 2014	$354	$-	$4,890	$1,852	$614	$2,353	$4,268	$14,331
Financial Assets	$17,648	$8,897	$16,552	$7,569	$7,444	$16,180	$17,244	$91,534
Equity 2014	$200,891	$134,697	$148,408	$76,310	$104,667	$338,074	$284,413	$1,287,460

The level of combined debt to the current written down value (depreciated replacement cost) of infrastructure is 1.6%.

Financial Sustainability

A council is deemed financially sustainable if its infrastructure and financial capital is able to be maintained over the long term. There is a clear focus on local government being able to manage through the various economic cycles without having to increase rates or reduce services (expenditures) in a way that threatens to, or has a significant impact on, a resident's cost of living and/or the social well-being of the community.

In 2013 the New South Wales Treasury Corporation (TCorp 2013) assessed the long term financial capacity and performance of each council as follows:

Table 3: 2013 TCorp Financial Sustainability Assessment and JRA Comment

	Conargo	Murray	Berrigan	Hay	Jerilderie	Deniliquin	Wakool
Rating	Sound	Moderate	Moderate	Moderate	Moderate	Moderate	Weak
Outlook	Neutral	Neutral	Neutral	Negative	Negative	Negative	Negative

JRA is broadly supportive of the TCorp findings, however Wakool should now be Moderate Rating with Neutral Outlook following updated asset and risk management plans.

Conargo has been in a consistently sound position with very good asset management plans and practices. Council has implemented service level efficiencies by reducing service levels and costs for low use roads while maintaining service levels for roads and facilities that are important to the community. This explains why some of Conargo's roads are reported in poor condition. This is in alignment with the asset management and sustainability strategy and represents minimal risk to the community.

Wakool's case study has shown that a focus on asset and risk management plans enables all councils to balance revenues and service level. This was well documented in the *Roadmap to Financial Sustainability for Local Governments in NSW* (September 2013, JAC Comrie Pty Ltd).

All councils will have to reduce service levels to balance revenues and expenditures and the amalgamation of councils is unlikely to change that outlook.

All Councils in this group are updating asset management plans and Special Schedule 7 reporting in alignment with revaluation of roads and drains and Fit for the Future applications will reflect these updates.

Irrespective of amalgamations, all Councils in this group can be financially sustainable by a continued focus on efficiency that incorporates a rebalancing of revenues and service levels over a 10 year period. Benchmarking practices and inputs such as useful lives, unit costs and risk management strategies are supporting strategies for sustainability and advocacy to reverse the decline in grant funding leading to a reduction in service levels.

2015 Regional Infrastructure Study - Berrigan, Conargo, Deniliquin, Hay, Jerilderie, Murray and Wakool Shire Councils

A report prepared by Jeff Roorda, JRA

Scope and approach

Our approach is to review:

1. Regional economic data and information
2. Asset Management practices and performance using data publicly available and work JRA has recently undertaken for the Australian Local Government Association (ALGA) and the Institute of Public Works Australasia (IPWEA).
3. Council's historical performance and forecast financial outcomes through financial ratio and Resourcing Strategy documentation analysis.

Data and information was sourced from:

- 2013/14 Financial Statements
    - Income Statement
    - Balance Sheet
    - Special Schedule 7 – Report on Infrastructure assets
        - Infrastructure valuations
        - Maintenance costs &
        - Cost to bring to Satisfactory
    - Special Schedule 8 – Financial Projections
        - Planned capital budget (Renewal and New)
- Financial Sustainability of the New South Wales Local Government Sector (TCorp 2013)
    - Financial Sustainability Ratings & outlook
- AM Plans & Strategy (where available)
    - Service level targets and performance
    - Infrastructure renewal projections
- Australian Infrastructure Financial Management Guidelines (IPWEA)
    - Performance measures
        - Operating Surplus Ratio
        - Net Financial Liabilities Ratio
        - Asset Sustainability Ratio
        - Asset Renewal Funding Ratio
        - Operating Surplus (net of Capital grants)
        - Net Financial Liabilities
        - Interest Cover Ratio
        - Asset Consumption Ratio
- IPWEA (NSW) 2012 Road Asset Benchmarking Project
- ALGA National State of the Assets Report for 2014

The study is based on a 'point in time' assessment and the findings should be viewed as indicators for further investigation given the project scope, timeframe and budget constrained a more comprehensive time series analysis.

3. INFRASTRUCTURE OVERVIEW

The following key infrastructure categories were analysed as part of this study given they represent in dollar terms the largest proportion of assets each council is responsible for.

1. Buildings;
2. Roads;
3. Water;
4. Sewerage;
5. Stormwater; and
6. Open Space/Recreational

An inventory summary of the key assets each council has is shown in the following table.

Table 4: Assets Managed by Each Council

	Swimming Pools (Nº)	Public Halls (Nº)	Libraries (Nº)	Open Public Space (ha)	Road Length (km)
Berrigan	3	5	4	138	1,375
Conargo	0	6	0	26	1,410
Deniliquin	1	4	1	1,137	173
Hay	1	4	1	129	941
Jerilderie	1	3	1	122	1,101
Murray	2	9	1	105	1,452
Wakool	3	9	2	32	1,572
Total	11	40	10	1,689	8,024

The forward trends on revenues and expenditures mean that ongoing community engagement is essential to determine how many of these facilities remain and at what level of service is provided while managing risk.

Financial Status of the Assets

The financial status of council's infrastructure assets[3] is shown in Table 5. At the end of June 2014, the total replacement value of council controlled assets is calculated at $1.51bn with a Depreciated Replacement Cost of $891M and an Annual Asset Consumption (Depreciation) value of $26M.

Table 5: Financial Status of the Infrastructure Assets

Council	Replacement Cost ($'000s)	Depreciated Replacement Cost ($'000s)	Annual Depreciation Expense ($'000s)
Berrigan	$267,696	$166,615	$4,445
Conargo	$145,932	$100,922	$2,695
Deniliquin	$261,117	$129,664	$3,693
Hay	$130,448	$66,610	$1,988
Jerilderie	$107,915	$65,575	$2,135
Murray	$264,487	$169,000	$5,332
Wakool	$328,028	$193,002	$5,741
Total	$1,505,623	$891,388	$26,029

[3] Includes Buildings, Roads (excluding bulk earthworks), Water, Sewerage, Stormwater & Open Space/Recreational assets only.

Source: Note 9a of the Financial Statements for the period ending 30 June 2014

Asset Consumption and Renewal

The asset consumption ratios of council's assets (average proportion of 'as new' condition left in assets) are shown in Figure 1 below. The ratio seeks to highlight the aged condition of council's assets and measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

It is calculated by dividing the Depreciated Replacement Cost by the Current Replacement Cost of infrastructure assets and is expressed as a percentage. If a local government is responsibly maintaining and renewing / replacing its assets in accordance with a well prepared asset management plan, then the fact that its Asset Consumption Ratio may be relatively low and/or declining should not be cause for concern – providing it is operating sustainably.

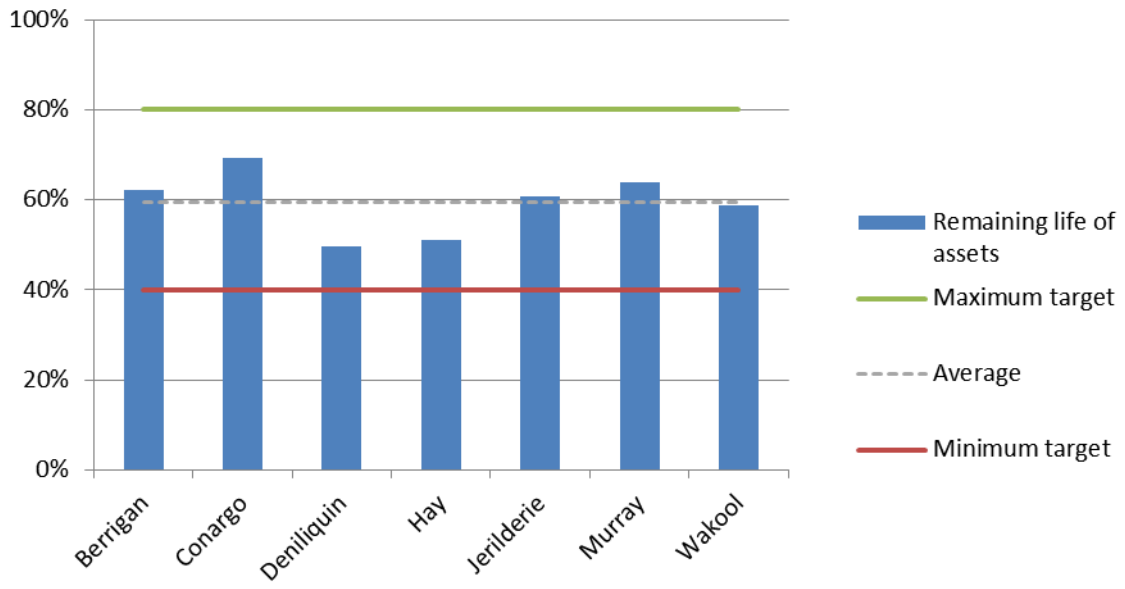


Figure 1: 2014 Asset Consumption Ratio profile

The indicative target range is between 40% and 80%. The majority of assets have close to and/or above 50% of life remaining with the overall combined Asset Consumption Ratio totalling 59.4%. In other words, on average assets are 40.6% (consumed) through their expected life.

In dollar terms, Conargo has the highest consumption ratio at 69.2% suggesting assets are relatively new 'on average' with users experiencing relatively high levels of service whilst Deniliquin Council has the lowest consumption ratio at 49.7% with users presumably experiencing lower levels of service. If this is not the case and service levels are not as indicated above, the useful life of the assets may not reflect the reality of the assets' service performance and remaining life.

Table 6: Current position on Infrastructure Asset Management

Council	Asset Consumption Ratio (DRC/CRC)	Rate of Asset Consumption (Dep/CRC)	Rate of Asset Renewal (Renewal Exp/ CRC)	Asset Sustainability Ratio (Renewal Exp/Dep)	Useful Life (years) (CRC/Dep)
Berrigan	62.2%	1.7%	1.3%	77%	60
Conargo	69.2%	1.8%	2.6%	142%	54
Deniliquin	49.7%	1.4%	0.6%	45%	71
Hay	51.1%	1.5%	1.7%	115%	66
Jerilderie	60.8%	2.0%	1.4%	71%	51
Murray	63.9%	2.0%	1.7%	82%	50
Wakool	58.8%	1.8%	1.7%	98%	57
Total	**59.4%**	**1.7%**	**1.6%**	**90%**	**58**

Assets are being consumed at a rate of 1.7% of the Current Replacement Cost. This is an average figure over the life cycle of the asset (up to 100 years).

Overall, the 1.6% rate of asset renewal[4] is slightly less than the rate of consumption at 1.7%. Interestingly the rate of asset renewal against consumption for individual councils varies significantly. At Deniliquin Council it is much less than asset consumption (up to 57% lower) compared to Berrigan (24% lower), Conargo (42% higher), Hay (13% higher), Jerilderie (30% lower), Murray (15% lower) and Wakool (5% lower).

For sustainability in service delivery, the rate of asset renewal should equal to the rate of asset consumption on average over the long term. This does not mean that asset renewal should equal asset consumption in each and every year. Asset consumption is an average figure, whereas the rate of annual asset renewal can vary widely, depending on community and council priorities and available funds.

It is important that councils understand their asset management position, know what asset renewals are required to continue to provide the levels of service that the community needs and how the asset renewals are to be financed.

An asset management plan documents the services to be provided, how the services are to be provided and the funds required for asset operation, maintenance and renewal over a 10 to 20 year period. The asset management plan expenditure forecasts inform the long term financial plan and assist councils in deciding the allocation of finance to the community's resources.

Councils are reporting a wide variability (up to 20 years) in the overall useful life suggesting service levels may be higher in some areas (e.g. Conargo, Jerilderie & Murray) compared to others (e.g. Hay & Deniliquin) as assets are replaced sooner than later. This will become a management challenge should amalgamation occur as communities tend to expect consistent service standards and performance for similar types of assets in similar locations and operating environments.

An assessment of the renewal expenditure relative to depreciation (Asset Sustainability Ratio) indicates if a council is replacing its assets in an optimal way so as to minimise whole-of-life costs and therefore cost-effectively maintain service levels. When asset portfolios are young (i.e. reporting a high Asset Consumption Ratio) the amount of annual renewal expenditure per average annual asset consumption (depreciation) would typically be low say 50% or less. When assets are old, the ratio may be more than 100%.

Should this not be the case council may be over or under servicing the assets and an assessment of the long term renewal needs will need to be undertaken and balanced against service level targets agreed to with the community.

State of the Assets Reporting

As part of the national agenda for consistent reporting on infrastructure asset performance the Australian Local Government Association (ALGA) conducts an annual National State of the Assets (NSoA) report for local roads. The 2014 report can be found on the ALGA website at http://alga.asn.au/?ID=12827&Menu=50,550.

Data is collected for the following four asset groups:

- Sealed Roads, Unsealed roads, Concrete bridges and Timber bridges

Every council across Australia (565) is asked to provide a performance assessment of these assets (as a proportion of the gross replacement cost) in a good to very good, fair and poor to very poor state for quality/condition, function/fit for purpose and capacity/utilisation, with associated confidence levels.

All seven councils in this study have consistently contributed valuation and performance data to the NSoA report and the proportion and value of road infrastructure reported in a poor to very poor condition is shown in table 7.

[4] Forecast asset renewal (sourced from Special Schedule 7 of the 2013/14 Financial Statements) divided by the Current Replacement Cost.

Table 7: Proportion and value (CRC) of road infrastructure reported in a poor to very poor condition

	Proportion & value (CRC) of road infrastructure in a poor to very poor condition									
	Sealed Roads ($'000)		Unsealed Roads ($'000)		Concrete Bridges ($'000)		Timber Bridges ($'000)		Total ($'000)	
Berrigan	15%	$8,346	15%	$4,580	70%	$4,502	0%	$-	19%	$17,428
Conargo	23%	$23,637	6%	$1,034	5%	$223	0%	$-	20%	$24,894
Deniliquin	24%	$12,825	41%	$6,136	0%	$-	0%	$-	27%	$18,961
Hay	5%	$2,045	35%	$1,927	0%	$-	95%	$2,003	12%	$5,975
Jerilderie	0%	$-	5%	$1,484	0%	$-	0%	$-	2%	$1,484
Murray	5%	$5,851	5%	$456	0%	$-	100%	$601	5%	$6,908
Wakool	19%	$26,659	17%	$2,673	2%	$653	25%	$4,347	16%	$34,332
Total	13%	$79,364	18%	$18,290	11%	$5,379	31%	$6,950	14%	$109,982

Councils are reporting 14% of road infrastructure ($110M) in a poor to very poor condition. Some councils with more advanced asset management practices are rebalancing service levels and revenues to reduce life cycle costs. For example in Conargo Shire sealed roads with very low traffic volumes have a lower life cycle cost if reverted to unsealed roads, provided there is an adequate supply of low cost appropriate quality gravel. Similarly, resheeting frequencies on low priority unsealed roads are being reduced in Wakool Shire whilst supporting increased inspection, maintenance and planned maintenance practices.

This shows that the definition of a satisfactory standard must be linked to residual risk. Assets can be in poor condition with no risk if this aligns with councils asset and risk management plan. This must be communicated to the community, the region and other levels of government.

10 Year Forecast Expenditure

The forecast annual average maintenance, renewal and upgrade/new expenditure for infrastructure assets over the next 10 years is estimated in the order of $409M. This information is sourced from Special Schedules 7 & 8 of the Financial Statements. The 10 year expenditure forecast for each council is shown in Table 8 below.

Table 8: 10 Year Forecast Expenditure by Council

Council	10 year Maintenance ($'000)	10 year Capital Renewal Expenditure ($'000)	10 year Capital Upgrade/New Expenditure ($'000)	10 year TOTAL ($'000)
Berrigan	$30,500	$34,020	$-	$ 64,520
Conargo	$20,990	$38,330	$6,343	$ 65,663
Deniliquin	$22,590	$16,790	$-	$ 39,380
Hay	$17,220	$22,810	$-	$ 40,030
Jerilderie	$24,060	$15,120	$-	$ 39,180
Murray	$25,480	$43,980	$5,592	$ 75,052
Wakool	$27,170	$56,540	$1,387	$ 85,097
Total	$168,010	$227,590	$13,322	$ 408,922

Source: 10 year annual average estimates from 30 June 2014 Financial Statements.

Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include operating and maintenance expenditure and asset consumption (depreciation expense). The annual life cycle cost for the services covered in this asset management study is shown in Table 9.

Table 9: Life Cycle Cost for Council Assets

Council	Maintenance ($'000)	Depreciation Expense ($'000)	Life Cycle Cost ($'000)
Berrigan	$3,050	$4,445	$7,495
Conargo	$2,099	$2,695	$4,794
Deniliquin	$2,259	$3,693	$5,952
Hay	$1,722	$1,988	$3,710
Jerilderie	$2,406	$2,135	$4,541
Murray	$2,548	$5,332	$7,880
Wakool	$2,717	$5,741	$8,458
Total	$16,801	$26,029	$42,830

Source: 10 year annual average estimates from 30 June 2014 Financial Statements.

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes the annual operating, maintenance and capital renewal expenditure over the next 10 years calculated by averaging the next 10 year estimates.

Life cycle expenditure will vary depending on the timing of asset renewals. The annual life cycle expenditure over the planning period is shown in Table 10.

Table 10: Life Cycle Expenditure for Council Assets

Council	Maintenance ($'000)	Capital Renewal Expenditure ($'000)	Life Cycle Expenditure ($'000)
Berrigan	$3,050	$ 3,402	$ 6,452
Conargo	$2,099	$ 3,833	$ 5,932
Deniliquin	$2,259	$ 1,679	$ 3,938
Hay	$1,722	$ 2,281	$ 4,003
Jerilderie	$2,406	$ 1,512	$ 3,918
Murray	$2,548	$ 4,398	$ 6,946
Wakool	$2,717	$ 5,654	$ 8,371
Total	$16,801	$ 22,759	$ 39,560

Source: 10 year annual average estimates from 30 June 2014 Financial Statements.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than the life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing service to their communities in a financially sustainable manner. This is the purpose of the AM Plans and the Long Term Financial Plan.

A shortfall between life cycle cost and life cycle expenditure gives an indication of the life cycle gap to be addressed in the asset management and long term financial plan.

The annual life cycle gap and life cycle indicator for services covered by the Asset Management Plans is summarised in Table 11.

Table 11: Life Cycle Indicators

Council	Life Cycle Cost ($'000)	Life Cycle Expenditure ($'000)	Life Cycle Gap ($'000)	Life Cycle Indicator ($'000)
Berrigan	$7,495	$ 6,452	-$ 1,043	86%
Conargo	$4,794	$ 5,932	$ 1,138	124%
Deniliquin	$5,952	$ 3,938	-$ 2,014	66%
Hay	$3,710	$ 4,003	$ 293	108%
Jerilderie	$4,541	$ 3,918	-$ 623	86%
Murray	$7,880	$ 6,946	-$ 934	88%
Wakool	$8,458	$ 8,371	-$ 87	99%
Total	$42,830	$ 39,560	-$ 3,270	92%

The sustainability indicators are significantly influenced by the forecast of capital renewal and the planned expenditure on capital renewal.

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

Combined, the councils are responsible for $1.51bn of local infrastructure and the life cycle cost of the infrastructure is $42.8M per annum. The councils are forecasting future spending of $39.6M on average per year on existing infrastructure indicating a decrease on average a $3.3M per year or 92% of the total life cycle cost.

Estimated Cost to bring to Satisfactory Standard

Councils are reporting they need to outlay approximately $90M[5] to bring existing infrastructure assets to a satisfactory standard of service with 46% ($41M) of this number attributed to Road infrastructure in Wakool Shire and 16% ($14M) attributed to Sewerage infrastructure in Deniliquin. This raises the question regarding the validity of the claimed backlog and for it to be tested against the question *"Has the infrastructure reached the end of life and in need of renewal and do we have confidence in the order of cost to bring the infrastructure back to a satisfactory service standard"*.

Table 12: Estimated cost to bring infrastructure to a satisfactory standard

	Estimated Cost to bring to Satisfactory Service Standard?						
	Buildings ($'000s)	Roads ($'000s)	Water ($'000s)	Sewerage ($'000s)	Stormwater ($'000s)	Open Space Recreation ($'000s)	Total ($'000s)
Berrigan	$135	$227	$1,000	$1,610	$483	$170	$3,625
Conargo	$45	$-	$-	$-	$-	$-	$45
Deniliquin	$732	$3,410	$5,805	$14,444	$4,250	$230	$28,871
Hay	$-	$2,000	$-	$-	$-	$-	$2,000
Jerilderie	$136	$737	$-	$-	$-	$800	$1,673
Murray	$80	$1,320	$-	$-	$240	$-	$1,640
Wakool	$1,111	$40,954	$2,872	$4,582	$1,921	$-	$51,440
Total	$2,239	$48,648	$9,677	$20,636	$6,894	$1,200	$89,294

At this point it is worth noting the total rate and annual charges income of all councils in 2013/14 was $39M and the possibility of financing the costs to bring those assets in poor condition to satisfactory standard is clearly outside the realms of the local community.

[5] Source: Special Schedule 7.

4. PERFORMANCE MEASURES

In 2013/14 the total operating revenue was $97.2M, excluding capital grants this number is reduced to $90M. The breakdown of this revenue (excluding capital grants) by source is shown in the table below and highlights that on average councils generate the majority (around 59%) of their operating revenue from sources they control.

Table 13: Comparative sources of Operating Revenue in 2013/14 (excluding capital grants)

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total
	%	%	%	%	%	%	%	%
Rates and annual charges	50%	36%	53%	43%	30%	42%	38%	43%
User charges and fees	11%	4%	21%	12%	23%	22%	14%	16%
Operating grants	29%	54%	21%	40%	39%	30%	41%	34%
Other	9%	6%	5%	5%	8%	6%	7%	7%
Total operating revenue	100%	100%	100%	100%	100%	100%	100%	100%

Conargo has the highest proportion of operating grants per total operating revenue at 54% compared to Deniliquin with the lowest at 21%.

The proportion of depreciation expense of total operating expenses for each council is shown below.

Table 14: Depreciation expense of total operating expenses in 2013/14

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total
	%	%	%	%	%	%	%	%
Depreciation	29%	40%	27%	24%	29%	31%	37%	31%
Other	71%	60%	73%	76%	71%	69%	63%	69%
Total expenses	100%	100%	100%	100%	100%	100%	100%	100%

On average 31% of the total operating expenses is attributed to depreciation expense which is higher than the state average of 23%. Conargo has the highest at 40% whilst Hay has the lowest at 24%.

National Indicators

The Australian Local Government and Planning Ministers Council's Local Government National Financial Sustainability Frameworks describe indicators (performance measures) as "signals' used to convey directions being taken by a council and to assess whether or not desired outcomes are being achieved.

To be effective, it is essential that indicators:

- Measure those factors which define financial sustainability,
- Be relatively few in number, and
- Be based on information that is readily available".

The performance measures used in this report and noted below use the eight nationally agreed indicators (for the most part replicated in the NSW IP&R framework) and indicate the present position and future direction and need for action and change for each council.

The National Indicators are described as follows:

1. Operating Surplus Ratio
   The operating result expressed as a percentage of total operating expense. It provides a measure of the extent to which operating income is sufficient or insufficient to meet the costs of delivering services (i.e. expenses)
2. Net Financial Liabilities Ratio
   The significance of the net amount owed by a council compared to its operating income for the period. Where the ratio is falling over time, it indicates the council's capacity to meet its financial obligations from operating income is strengthening.

3. Asset Sustainability Ratio
   The ratio of asset replacement expenditure relative to depreciation for a period. It measures whether assets are being renewed at the rate they are wearing out. If the ratio is 100% on average over time, council is ensuring the value of existing infrastructure is maintained. Councils should be replacing assets when they need to be replaced. When asset portfolios are young, this can be 50% or less. When assets are aged and approaching end of life, the ratio may be more than 100%.

4. Asset Renewal Funding Ratio
   The ratio of the net present value of asset renewal finance accommodated over a 10 year period in a long-term financial plan relative to the net present value of projected asset capital renewal expenditure identified in an asset management plan for the same period. It assesses the council's financial capacity to fund asset renewal in the future.

5. Operating Surplus
   The excess of operating income (excluding capital grants) over operating expenses. If council is not generating an operating break-even result or better on average over the medium term it is unlikely to be operating sustainably. If a council is operating with a significant deficit over several years and its strategic management and long-term financial plan do not provide clear proposals for this to be turned around, then it is inevitable that it will face major financial shocks in the future.

6. Net Financial Liabilities
   What is owed to others less money held, invested or owed to the council. The target range should be set having regard for the council's operating surplus ratio and needs identified in the Resourcing Strategy documentation. Council's with significant asset funding needs may find their financial sustainability is improved by raising debt to fund these needs, especially where the operational savings achieved from addressing asset funding needs exceed the additional interest costs resulting from the debt raised.

7. Interest Cover Ratio
   The proportion of operating income used to pay interest on loans net of interest income. A council would need to manage this ratio within a range acceptable to it, having regard to its long-term financial sustainability and strategic management plans and financial management policies.

8. Asset Consumption Ratio
   The average proportion of 'as new condition' left in assets. If a council is responsibly maintaining and renewing its assets in accordance with a well prepared asset management plan, the fact that its Asset Consumption Ratio may be relatively low and/or declining should not be a cause for concern – providing it is operating sustainably.

Table 15: National Asset & Financial Performance Indicators for each council

Council	Operating Surplus Ratio %	Net Financial Liabilities Ratio %	Asset Sustainability Ratio %	Asset Renewal Funding Ratio %	Operating Surplus ($'000s)	Net Financial Liabilities ($'000s)	Interest Cover Ratio	Asset Consumption Ratio %
Berrigan	-9%	-79%	77%	48%	-$1,483	-$13,588	-4%	62.2%
Conargo	-13%	-115%	142%	99%	-$877	-$7,640	-5%	69.2%
Deniliquin	2%	-51%	45%	5%	$293	-$8,505	-2%	49.7%
Hay	-19%	-40%	115%	53%	-$1,712	-$3,562	-1%	51.1%
Jerilderie	-26%	-53%	71%	47%	-$1,866	-$3,851	-2%	60.8%
Murray	-7%	-58%	82%	73%	-$1,196	-$10,308	-2%	63.9%
Wakool	-11%	-56%	98%	10%	-$1,657	-$8,866	-2%	58.8%
Total	-9%	-62%	90%	20%	-$8,498	-$56,320	-3%	59.4%

The combined council's net financial liabilities ratio as calculated at the end of 2013/14 is -62% (i.e. expected to have more financial assets than total liabilities). The depreciated replacement cost (written down value) of its infrastructure at the same point was reported to be $891M, this is about 10 times the combined annual operating income less capital grants. The average for all NSW councils in 2012 was 13 times.[6] Councils collectively generated an operating deficit (exclusive of capital revenues) of -$8.5M in 2013/14. An ongoing underlying breakeven or better operating result is key to maintaining financial sustainability.[7]

[6] As per TCorp.

[7] That is the operating result exclusive of capital revenues.

5. ASSET MANAGEMENT IMPROVEMENT PROGRAM & 'FIT FOR THE FUTURE'

JRA proposes an Asset Management Improvement Program the development (and ongoing maintenance) of Integrated Planning & Reporting (IP&R) documentation that demonstrate alignment with the long-term financial plan (LTFP) and communicate risk consequences for aspirational and affordable service levels.

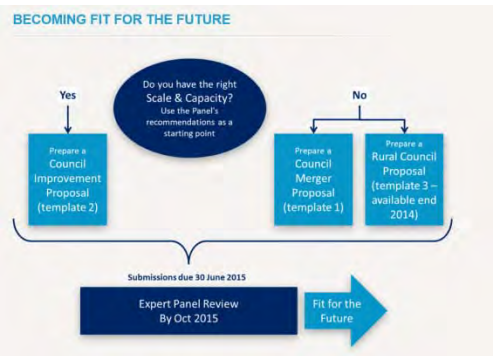
Table 16 below shows the key documents, tasks and reports that are to be reviewed and updated to achieve (and maintain) core maturity under the National Asset Management Framework and the Office of Local Government regulations.

Table 16: Connection between IP&R and Asset Management Improvement Tasks

IP&R Asset Management Documents	*Key Improvement Tasks* See Appendix A	*Reporting*
Community Strategic Plan	Update LTFP and strategic plan to make clear affordable and aspirational service levels and the corresponding risks.	*End or Term Report - Report on the council' achievements in implementing the Community Strategic Plan over the previous four years.*
10 Year Resourcing Strategy • Long Term Financial Plan • Asset Management Plans • Asset Management Strategy • Asset Management Policy	Annual reporting should include a state of the assets report for condition function and capacity showing current target and affordable service levels and risks. The current reporting implies that council is sustainable and that service level targets can be met.	*Report on the achievements in implementing the Delivery Program and the effectiveness of the principal activities undertaken in achieving the objectives in the Community Strategic Plan at which those activities are directed.*
4 Year Delivery Program	The asset management plans should be used as the source of the 4 year delivery program and be annually reviewed as part of the budget process.	*Annual report and end of Term Report - Report on the council' achievements in implementing the Community Strategic Plan over the previous four years.*
1 Year Operational Plan	Practice Areas = Annual Report, Annual Budget, Data and Systems, Skills and Processes, Reporting	*Report on the achievements in implementing the Delivery Program and the effectiveness of the principal activities undertaken in achieving the objectives in the Community Strategic Plan at which those activities are directed.*

In addition to the IP&R reporting requirements, the NSW Office of Local Government expects councils to submit a proposal by 30 June 2015 outlining how they intend to become 'Fit for the Future'. Each council will be asked to prepare a submission how it will become sustainable, provide effective and efficient services and have the scale and capacity needed to meet the needs of communities and partner with the State.

For councils where the Independent Local Government Review Panel recommended a merger, the council will be expected to address how it will achieve the scale and capacity consistent with the recommendation of the Panel. The council will not have to show how it will meet the other three criteria (financial sustainability, effective services and infrastructure and efficiency) until the new structure is in place. Councils that were not recommended for merger will need to demonstrate how they plan to meet the other three criteria.



6. IMPROVEMENT PROGRAM KEY MILESTONES

Table 17: Connection between Asset Management Plan and Key Reporting Milestones

IP&R Project Plan Key Project Components	Manager Responsible	Key Milestones for Achieving and Retaining Core Maturity			
		Feb – July 2015	July to Dec 2015	Jan 2016 to Sept 2016	Post Sept 2016
1. *Review and update community strategic plan*		*Ensure CSP aligns with resourcing strategy. Additional scenarios may be needed to balance LTFP resources to achievable service targets. Update asset values as part of roads and drainage revaluation. Update AMPs and SS7 reporting following revaluation.*	*Finalise integration between CSP and resourcing strategy and service level targets.*	*Outgoing Council reports progress made during their Council term*	*New Council adopts updated CSP that meets IP&R legislative requirements.*
2. Resourcing Strategy development and coordination		*Complete draft resourcing strategy that balances LTFP with AM Plans. AM strategy outlines risks of current maturity as well as service levels that can be achieved by resourcing strategy.*	*Council Adopts 2015 Resourcing Strategy based on asset management plan (AMP).*	*Annual report on delivery program and resourcing strategy based on asset management plan.*	*New Council reviews the Council's Resourcing Strategy and community consultation strategy.*
3. Fit for the Future Reporting		*Submit a proposal by 30 June 2015 outlining how Council intends to become Fit for the Future. Complete Office of Local Government's assessment template and improvement plan template based on updated AM Plans that integrate with LTFP.*	*Implement improvement plan*		

7. KEY GOVERNANCE STRATEGIES FOR EFFECTIVE ASSET MANAGEMENT

The following key strategies are an amalgamation of improvement actions identified during the assessment.

Key Strategy 1
Update asset registers as part of revaluation for roads and drainage. This is a foundational requirement whether or not amalgamation occurs so that all Councils are reporting on a consistent basis.

Key Strategy 2
Implement a regional co-ordination group to enable consistency and efficiencies for asset management tasks. http://www.datashare.net.au/ provides an example of how Councils can achieve a common approach to useful lives, unit costs and Special Schedule 7 reporting.

Key Strategy 3
Apply adequate resources to update asset management plans, annual reports, resourcing strategy, delivery program and sustainability reporting under SS7.

Key Strategy 4
Ensure there is at least one scenario that models current service levels and one that shows affordable service levels and risks based on what is affordable under the current Long-Term Financial Plan (LTFP).

Key Strategy 5
Consider the ongoing ownership costs of new capital works proposals in budget deliberations and ensure all future asset related costs are included in the asset management plan projections for both existing and proposed assets for the next 10 years. This will ensure the LTFP forward financing model balances to the AM Plan projections and corresponding service level provision and risk consequences.

Key Strategy 6
Develop a Risk Management Plan for all asset classes to demonstrate risks are being managed and any high to very high residual risks are reported to council via the Audit Committee or its equivalent. This process forms the basis of Special Schedule 7 reporting.

Key Strategy 7
Annually review the completeness and accuracy of the asset register ensuring it is materially accurate.[8]

Key Strategy 8
Use a knowledge management strategy to ensure appropriate and optimal decision support mechanisms are in place to inform council of cumulative consequences of decisions.

Key Strategy 9
Review the Asset Accounting and Capitalisation Policy annually to ensure asset accounting processes are consistent with Fair Value Reporting (AASB116) as outlined in the Australian Infrastructure Financial Management Guidelines (AIFMG).

Key Strategy 10
Ensure the Long-Term Financial Plan includes at least one scenario that communicates the necessary resources for sustainable renewal of infrastructure and incorporates all asset life cycle costs (Scenario 2 – NAMS.PLUS).

Key Strategy 11
Continue to improve the information on the relationship between service levels and cost so that future community consultation will be well informed of the benefits, risks and costs of the strategic longer term plan.

Key Strategy 12
Review the maturity assessment annually to ensure core maturity is achieved and maintained.

[8] AASB 1031 Materiality, see also AIFMG, IPWEA 2010.

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APPENDICES

Appendix A – Summary table

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total
Replacement Cost($M)	$ 267,696,000	$ 145,932,000	$ 261,117,000	$ 130,448,000	$ 107,915,000	$ 264,487,000	$ 328,028,000	$ 1,505,623,000
Depreciated Replacement Cost($M)	$ 166,615,000	$ 100,922,000	$ 129,664,000	$ 66,610,000	$ 65,575,000	$ 169,000,000	$ 193,002,000	$ 891,388,000
Annual Depreciation Expense($M)	$ 4,445,000	$ 2,695,000	$ 3,693,000	$ 1,988,000	$ 2,135,000	$ 5,332,000	$ 5,741,000	$ 26,029,000
SS7 Cost to bring to satisfactory	$ 3,625,000	$ 45,000	$ 28,871,000	$ 2,000,000	$ 1,673,000	$ 1,640,000	$ 51,440,000	$ 89,294,000
Maintenance Gap ($)	$ 6,000	-$ 477,000	$ 1,483,000	$ 683,000	-$ 898,000	-$ 69,000	-$ 39,000	$ 689,000
NSoASealed Roads% PVP Condition	$ 8,346,450	$ 23,636,640	$ 12,825,021	$ 2,045,050	$ -	$ 5,851,100	$ 26,659,470	$ 79,363,731
NSoAUnSealed Roads% PVP Condition	$ 4,579,500	$ 1,034,152	$ 6,135,995	$ 1,927,100	$ 1,484,300	$ 456,000	$ 2,672,570	$ 18,289,617
NSoAConcrete Bridges% PVP Condition	$ 4,502,400	$ 223,200	$ -	$ -	$ -	$ -	$ 653,060	$ 5,378,660
NSoATimber Bridges% PVP Condition	$ -	$ -	$ -	$ 2,002,600	$ -	$ 601,000	$ 4,346,500	$ 6,950,100
Total value in Poor to Very Poor Condition	$ 17,428,350	$ 24,893,992	$ 18,961,016	$ 5,974,750	$ 1,484,300	$ 6,908,100	$ 34,331,600	$ 109,982,108
Operating Surplus Ratio	-9%	-13%	2%	-19%	-26%	-7%	-11%	-9%
Net Financial Liabilities Ratio	-79%	-115%	-51%	-40%	-53%	-58%	-56%	-62%
Asset Sustainability Ratio(Renewal Exp/Dep)	77%	142%	45%	115%	71%	82%	98%	90%
Operating Result after Capital Grants($)	-$ 1,483,000	-$ 877,000	$ 293,000	-$ 1,712,000	-$ 1,866,000	-$ 1,196,000	-$ 1,657,000	-$ 8,498,000
Net Financial Liabilities	-$ 13,588,000	-$ 7,640,000	-$ 8,505,000	-$ 8,505,000	-$ 3,851,000	-$ 10,308,000	-$ 8,866,000	-$ 61,263,000
Interest Cover Ratio	-4%	-5%	-2%	-1%	-2%	-2%	-2%	-3%
Asset Consumption Ratio(DRC/CRC)	62%	69%	50%	51%	61%	64%	59%	59%
Borrowings	$ 354,000	$ -	$ 4,890,000	$ 1,852,000	$ 614,000	$ 2,353,000	$ 2,353,000	$ 12,416,000
Financial Assets	$ 17,648,000	$ 8,897,000	$ 16,552,000	$ 7,569,000	$ 7,444,000	$ 16,180,000	$ 17,244,000	$ 91,534,000
Total Equity	$ 200,891,000	$ 134,697,000	$ 148,408,000	$ 76,310,000	$ 104,667,000	$ 338,074,000	$ 284,413,000	$ 1,287,460,000

Appendix B - Supporting data

Can be requested from JRA Head Office:

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GLOSSARY

Annual service cost (ASC)
An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operating, maintenance, depreciation, finance/ opportunity and disposal costs, less revenue.

Asset class
Grouping of assets of a similar nature and use in an entity's operations (AASB 166.37).

Asset condition assessment
The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset management
The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Asset Management Plan
Each council must prepare an Asset Management Strategy and Asset Management Plan/s to support the Community Strategic Plan and Delivery Program.
The Asset Management Strategy and Plan/s must be for a minimum timeframe of 10 years.

Asset Management Strategy **
The Asset Management Strategy must include a council endorsed Asset Management Policy. The Asset Management Strategy must identify assets that are critical to the council's operations and outline risk management strategies for these assets. The Asset Management Strategy must include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.

Assets
Future economic benefits controlled by the entity as a result of past transactions or other past events (AAS27.12). Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 month.

Average annual asset consumption (AAAC)
The amount of a local government's asset base consumed during a year. This may be calculated by dividing the Depreciable Amount (DA) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Depreciated Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.

Capital expansion expenditure
Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretional expenditure, which increases future operating, and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure
Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital funding
Funding to pay for capital expenditure.

Capital grants
Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

Capital investment expenditure
See capital expenditure definition

Capital new expenditure
Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital renewal expenditure
Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital upgrade expenditure
Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretional and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Class of assets
See asset class definition

Component

An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.

Cost of an asset
The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.

Current replacement cost (CRC)
The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Current replacement cost "As New" (CRC)
The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values.

Cyclic Maintenance
Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, cycle, replacement of air conditioning equipment, etc. This work generally falls below the capital/ maintenance threshold and needs to be identified in a specific maintenance budget allocation

Strategic Plan **
The Strategic Plan to be for at least 5 years (preferably 10 years and:

- Reflects the needs of the community for the foreseeable future
- Brings together detailed requirements such as an AM Plan and Long Term Financial Plan
- Details what council expects to do in the longer term
- Demonstrated how councils intends to resource the plan
- Is prepared with community consultation

Long term works programme**
The Forward Works Programme must directly address the objectives and strategies of the Community Strategic Plan and identify principal activities that council will undertake in response to the objectives and strategies.

- The Forward Works Programme must inform, and be informed by, the Strategy and Planning Documents.
- The Forward Works Programme must address the full range of council operations.
- The Forward Works Programme must allocate high level responsibilities for each action or set of actions.
- Financial estimates for the four year period must be included in the Delivery Program.

Depreciable amount
The cost of an asset, or other amount substituted for its cost, less its residual value (AASB 116.6)

Depreciated replacement cost (DRC)
The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset

Depreciation / amortisation
The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Economic life
See useful life definition.

Expenditure
The spending of money on goods and services. Expenditure includes recurrent and capital.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

Greenfield asset values
Asset (re)valuation values based on the cost to initially acquire the asset.

Heritage asset
An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

Infrastructure assets
Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycle ways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no market value.

Knowledge Management Strategy **
Knowledge Management provides the systems, processes and information necessary to understand and communicate the cumulative consequences of decisions. A knowledge management strategy communicates the current level of knowledge management and a strategy for improving the capability to make wise informed choices taking into account benefits, costs and risk.

Level of service
The defined service quality for a particular service against which service performance may be measured. Service

levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost).

Life Cycle Cost

The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Life Cycle Expenditure

The Life Cycle Expenditure (LCE) is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle Expenditure may be compared to Life Cycle Expenditure to give an initial indicator of life cycle sustainability.

Loans / borrowings

Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in 'spreading the burden' of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).

Long Term Financial Plan**

The long term financial plan (LTFP) provides a 10 year forward projection of financial resources and includes:

- Planning assumptions used to develop the Plan
- Sensitivity analysis - highlights factors/assumptions most likely to affect the Plan
- Financial modelling for different scenarios e.g. planned/optimistic/conservative
- Methods of monitoring financial performance.

Maintenance and renewal gap

Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (e.g. 5, 10 and 15 years).

Maintenance and renewal sustainability index

Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15 years).

Maintenance expenditure

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Materiality[9]

The notion of materiality guides the acceptable margin of error, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or nondisclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or governing body of the entity.

Modern equivalent asset.

A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

National Asset Management Framework

In 2009, the Local Government and Planning Ministers' Council established the Local Government Reform Fund The Fund was established by the Prime Minister in June 2009. The purpose of the fund is to accelerate implementation of asset and financial management frameworks; to encourage collaboration in the local government sector to build capacity and resilience; and to assist in improving the collection and analysis of nationally consistent data on local assets and finances.

The Local Government Reform Fund aims to:

•support the accelerated implementation of the Nationally Consistent Frameworks for local government asset and financial management, as agreed by the Local Government and Planning Ministers' Council in 2009;

•encourage collaboration in the local government sector to build capacity and resilience; and

•improve the collection and analysis of nationally consistent data on local government assets and finances.[10]

The 3 Nationally Consistent frameworks can be downloaded from http://www.lgpmcouncil.gov.au/publications/sus_framework.aspx

The national partnership agreement can be downloaded from http://www.federalfinancialrelations.gov.au/content/national_partnership_agreements/Other/local_government/national_partnership.pdf

Non-revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the council, e.g. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

Operating expenditure

Recurrent expenditure, which is continuously required excluding maintenance and depreciation, e.g. power, fuel, staff, plant equipment, on-costs and overheads.

Planned Maintenance

[9] *IPWEA, 2009, AIFMG Page xxxviii*

[10] http://www.regional.gov.au/local/LGRF.aspx Australian Government Department of Regional Australia, Local Government, Arts and Sport, 1 Dec 2011

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Rate of annual asset consumption
A measure of average annual consumption of assets (AAAC) expressed as a percentage of the depreciable amount (AAAC/DA). Depreciation may be used for AAAC.

Rate of annual asset renewal
A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade
A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

Reactive maintenance
Unplanned repair work that carried out in response to service requests and management/supervisory directions.

Recoverable amount
The higher of an asset's fair value, less costs to sell and its value in use.

Recurrent expenditure
Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operating and maintenance expenditure.

Recurrent funding
Funding to pay for recurrent expenditure.

Rehabilitation
See capital renewal expenditure definition above.

Remaining life
The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life.

Renewal
See capital renewal expenditure definition above.

Residual value
The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Strategy and Planning Documents**
The Community Strategic Plan provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources – time, money, assets and people – to actually carry them out. The Strategy and Planning Documents consists of three components:

1. Long Term Financial Planning
2. Workforce Management Planning
3. Asset Management Planning.

The Strategy and Planning Documents is the point where Council assists the community by sorting out who is responsible for what, in terms of the issues identified in the Community Strategic Plan. Some issues will clearly be the responsibility of Council, some will be the responsibility of other levels of government and some will rely on input from community groups or individuals. The Strategy and Planning Documents focuses in detail on matters that are the responsibility of the council and looks generally at matters that are the responsibility of others.

Revenue generating investments
Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, e.g. public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

Risk management
The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Section or segment
A self-contained part or piece of an infrastructure asset.

Service potential
The capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume and quantity to the beneficiaries thereof.

Service potential remaining
A measure of the remaining life of assets expressed as a percentage of economic life. It is also a measure of the percentage of the asset's potential to provide services that are still available for use in providing services (DRC/DA).

Sub-component
Smaller individual parts that make up a component part.

Useful life
Either:

(a) the period over which an asset is expected to be available for use by an entity, or

(b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council. It is the same as the economic life.

Value in Use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if

deprived of the asset its future economic benefits would be replaced.

Source: IPWEA NAMS.PLUS Asset Management Plan Glossary. Additional items shown **

APPENDIX III

RYAN MUNTZ
(CROW HORWATH)
REPORT

Fit For the Future Evaluation

Conargo Shire Council

1 May 2015

Confidential

Prepared for: Conargo Shire Council

Prepared by: Ryan Muntz, Principal

Audit | Tax | Advisory | Financial Advice

Contents

1. Introduction

1.1 Purpose of report

This report is prepared by Ryan Muntz of Crowe Horwath, Albury, NSW.

Crowe Horwath have been requested to prepare this report by Conargo Shire Council ("Conargo") to assist with their submission in relation to the NSW Government's Fit For the Future program.

The terms of our engagement are set out in our engagement letter dated 16 March 2015.

1.2 Instructions

We have been instructed to prepare a report assessing the merits of two options for the future of Conargo and its ratepayers and residents, these being:

- Merging with Deniliquin Council and Murray Shire Council in accordance with the recommendation from the NSW Government; and
- Becoming a standalone Rural Council.

After assessing the merits of each of the above options, we are to then provide a recommendation for the most suitable path to take for Conargo.

1.3 Experience

My name is Ryan Luke Muntz.

I am a Chartered Accountant and Principal with Crowe Horwath. I provide a range of services to approximately 500 individuals and small businesses. These services include taxation, accounting, consulting, litigation support, valuations and business and financial advisory services. I have 15 years of experience in the industry.

1.4 Disclaimer

We have prepared the accompanying report based on the information detailed in section 3 and at the request of and exclusively for the use and benefit of Conargo.

Nothing in the report should be taken to imply that we have verified any information supplied to us, or have in any way carried out an audit of any information supplied to us other than as expressly stated in the report.

Our report is not to be used for any other purpose without our prior written consent. Accordingly, Crowe Horwath accepts no responsibility in any way whatsoever for the use of this report for any purpose other than that for which it has been prepared.

Our opinion is based solely on the information set out in this report. We reserve the right to amend any conclusions, if necessary, should any further information become available.

2. Executive summary

In the course of our engagement, we have reviewed two options for the future governing structure of Conargo Shire Council. These options are:

- Merging with Deniliquin Council and Murray Shire Council in accordance with the recommendation from the Independent Local Government Review Panel; and
- Becoming a standalone Rural Council.

Based on our review, which has included engagement with Conargo councillors, review of financial factors for Conargo and other councils, review of survey results for Conargo residents and detailed review of the rural council guidelines, it is our view that the most suitable structure for Conargo, its ratepayers and its residents is that of a standalone Rural Council.

It is our view that this is the most suitable option for a number of reasons, including:

- Conargo meets most of the characteristics and ratios detailed in the NSW Government's rural council guidelines;
- Conargo's financial position is sound, with no debt, minimal infrastructure backlog, assets maintained to a relatively high standard and significant reserves. Its financial position would therefore appear to be sustainable going forward;
- The councils with which it was recommended that Conargo merge do not have such a strong financial position (in relative terms), with significant debt, greater infrastructure backlogs and lower reserves;
- Through working with councils in various Joint Operations, Conargo should be assisted in achieving further efficiencies through resource sharing and collaboration, further improving sustainability;
- Conargo's residents and ratepayers would face a significant reduction in representation under the proposed merger and there are concerns that this would lead to a reduction in levels of service for Conargo; and
- Many of the key priorities of Conargo Shire Council are quite different to those of the other councils under the proposed merger, with no major towns, no water or sewerage, no infrastructure backlogs and more of a focus on maintaining a sense of community where the population is dispersed over a wider geographical area.

We would also note however that a future Conargo Rural Council should be focussed on addressing areas to improve viability and service delivery in the future, which could include additional collaboration and resource sharing with other councils within various Joint Organisations.

3. Sources of information

In preparing this report, we have relied upon various sources of information, including:

3.1 Conargo Shire Council

- Audited financial statements for the year ended 30 June 2014.
- Results of a community survey conducted by Conargo Shire Council in February 2014.
- Consultations with Conargo Shire Council, its councillors and its General Manager.

3.2 Deniliquin Council

- Audited financial statements for the year ended 30 June 2014.

3.3 Murray Shire Council

- Audited financial statements for the year ended 30 June 2014.

3.4 Jeff Roorda & Associates

- Report titled “2015 Regional Infrastructure Study” prepared by Jeff Roorda of Jeff Roorda & Associates, dated 19 February 2015.

3.5 Auswild & Co

- Report titled “Financial Anslysis of Selected Councils” prepared by Graham Bradley of Auswild & Co, dated January 2015.

3.6 NSW Office of Local Government

- Fit for the Future Guidance Material dated January 2015.

3.7 NSW Treasury Corporation

- Financial Sustainability of the New South Wales Local Government Sector, released April 2013.

3.8 Australian Bureau of Statistics

- Statistics titled “Regional Population Growth, Australia”, released 3 April 2014.

4. Background

In September 2014 the New South Wales state government announced its response to a review of local government structures. This announcement included The Fit for the Future program, based on the Independent Local Government Review Panel’s recommendations following three years of research and consultation.

The Conargo Shire Council has now received the Government Review Panel’s recommendation, which involves a Council Merger Proposal for Conargo with Murray Shire Council and Deniliquin Council.

The Conargo Shire Council is investigating the options of accepting the Government Review Panel’s merger recommendation or submitting a Rural Council Proposal, and has engaged Crowe Horwath to review each option and provide a recommendation for the most suitable outcome for Conargo, its ratepayers and its residents.

Further details of our assessment of each of these options are detailed in sections five and six below.

5. Rural council

In order to assess the suitability of the Rural Council option, we have reviewed a number of key areas based on the NSW Government’s Rural Council Proposal Guidance as well as other factors that we consider relevant.

These areas include:

- Rural council characteristics;
- SWOT analysis;
- Financial results and ratios;
- Community involvement and consultation; and
- Strategies for remaining fit for the future.

Our findings with respect to these areas are detailed in the following sub-sections.

5.1 Rural council characteristics

In considering the Rural Council option for Conargo Shire Council, we have reviewed the characteristics of a Rural Council as described by the Office of Local Government to determine the extent to which they are met by Conargo. These characteristics are as follows:

Rural Council Characteristic	Conargo Shire Council
Small and static or declining population spread over a large area.	▪ The Conargo Shire Council covers an area of 8,738km^2, with a population base of approximately 1,500. This population base is projected to increase to 1,900 by the year 2034. **Conclusion: Conargo satisfies this rural council characteristic.**
Local economies that are based on agricultural or resource industries.	▪ The Conargo Shire Council region is largely reliant on mixed grain and livestock farming for the local community's economy. ▪ Seasonal requirements for shearing and crop harvesting drive an increased demand in local resources. ▪ The reliance on agriculture leaves the area vulnerable to the effects of drought and other natural disasters, as well as produce demand. ▪ Approximately 95% of the Ordinary Rates and Annual Charges received by Conargo are attributable to farmland. **Conclusion: Conargo satisfies this rural council characteristic.**
High operating costs associated with a dispersed population and limited opportunities for return on investment.	▪ Total operating revenue for Conargo is approximately $6.7m annually. Of this revenue, $2.4m is generated through rates and annual charges. ▪ Conargo Shire Council is currently operating debt free. ▪ Anticipated annual average capital expenditure between 2015 and 2024 is $6m. **Conclusion: Conargo satisfies this rural council characteristic.**

Rural Council Characteristic	Conargo Shire Council
High importance of retaining local identify, social capital, and capacity for service delivery Councils in rural areas play a significant role in building community capacity. They are often regarded as the “backbone” of their community, being the major employer in the region and helping to sustain local settlements that are vital to agricultural industries. Many facilities in small communities have been provided through community fundraising and input, in partnership with the local council.	▪ In a survey sent to all ratepayers in February 2014, only 8.8% of participants supported a merger with another council. ▪ The survey response also indicates 96.9% support for the level of service provided by the Shire Council. ▪ When conducting a SWOT analysis with Conargo councillors, the loss of local representation and reductions in service levels under a merger proposal were consistently flagged as significant concerns for the group. ▪ Conargo Shire Council has invested in its council premises at Pretty Pine to provide a central multi-use facility for the community. It is very focussed on sustaining the way of life and sense of community of Conargo’s residents and ratepayers and this investment was undertaken with this focus in mind. ▪ Due to its very low population, if Conargo were to merge with another council its representation would be significantly affected. **Conclusion: Conargo satisfies this rural council characteristic.**
Low rate base and high grant reliance Low populations and a limited commercial/industrial sector create a low rating base for rural councils. Rural councils may find it difficult to achieve the FFTF benchmark of 60% own source revenue because of this situation.	▪ Despite operating debt free, Conargo Shire Council’s operating result in 2014 was heavily reliant on grant funding ($1,311,000). ▪ Conargo’s low population provides a low rate base, hence the greater reliance on external funding sources. ▪ Refer to section 5.3.1 for an analysis of Own Source Revenue. **Conclusion: Conargo satisfies this rural council**

Rural Council Characteristic	Conargo Shire Council
	characteristic.
Difficulty in attracting and retaining skilled and experienced staff.	▪ There are currently 37 council employees, being 2.2 per 100 persons in the Shire. This is a significantly higher proportion than the 0.6 average for the state. ▪ Due to minimal local requirements specialist services are outsourced as required. ▪ This will potentially be a long term issue with an aging population and recruitment required to replace retiring staff. ▪ Recruiting for key positions at Conargo has historically been challenging. **Conclusion: Conargo satisfies this rural council characteristic.**
Challenges in financial sustainability and provision of adequate services and infrastructure.	▪ The Shire received a "Sound" financial rating in the 2013 New South Wales Treasury Corporation assessment. This is a result of focussed asset management plans and practices. ▪ Council has implemented service level efficiencies by reducing service levels and costs for low use roads while maintaining service levels for roads and facilities of importance to the community. Some of Conargo's roads are reported in poor condition however this is in alignment with the asset management and sustainability strategy and represents minimal risk to the community. **Conclusion: Conargo satisfies this rural council characteristic.**

Rural Council Characteristic	Conargo Shire Council
Long distance to a major (or sub-regional centre).	▪ 32km to Deniliquin (7.6k) ▪ 69km to Mathoura (Murray Shire Council) (7.3k) ▪ 108km to Moama (included in Murray Shire Council) (5.6k) ▪ 219km Wagga Wagga (47k) ▪ 212km Albury (46k) **Conclusion: Conargo shire council covers a wide geographic area without a clearly-defined central town. Measurement of distance to a major sub-regional centre is therefore less-meaningful. The distances detailed above are from the village of Conargo.** **Given the distance to major population centres from the village of Conargo we believe that Conargo satisfies this rural council statistic.** **It is worth noting that these distances would be even greater from some of the outer parts of the shire.**
Limited options for mergers.	▪ Conargo is placed within reasonable distance of a number of existing councils for potential mergers. **Conclusion: Conargo does not meet this rural council characteristic as there are potential merger options available, including the recommendation from the Government Review Panel's.**

5.2 SWOT Analysis

Conargo Shire Council's councillors have undertaken a SWOT analysis of Conargo as an independent council, with this analysis summarised below.

5.2.1 Strengths

- Financially viable now and into the future
- Infrastructure standard is good with a strong level of community service
- Borrowing power/capacity
- Good community relations and understanding of rural issues
- Co-operative resource sharing

- Fairly low cost administration – not top-heavy
- Strong management committees (e.g. 355 committees looking after infrastructure)
- Rate base
- Currently meeting the objectives of council's strategic plan
- Strong representation and community voice

5.2.2 Weaknesses

- Declining population
- Reliance on external funding to maintain service levels
- Resource limits (human resources)
- Ability to deliver a full range of local government functions (that arguably do not need to be delivered for Conargo), including internal audit, planning, compliance
- Isolation requires community support/infrastructure to address mental health and social issues
- Encouraging rural councils to outsource functions that we may not be able to perform ourselves.

5.2.3 Opportunities

- Increase external funding through grants available
- Waste management
- Retirement village
- RMS contracts – obtaining a single invitation contract so that local government is granted the road contracts
- Business opportunities
- Land development (which can be done regardless of amalgamations)

5.2.4 Threats

- Joint Operations are seen as the future preference of the state government, and the effect of this on the future independence of Conargo as a standalone council is unknown.
- Ratios that we do not currently comply with (e.g. population growth, debt service ratio, spending per capita) may make it challenging to obtain rural council status although they are not necessarily challenging to explain.
- Level of service decline
- Loss of infrastructure
- Loss of community voice
- Loss of community resources

5.3 Financial results and ratios

In 2015 a review performed by Jeff Roorda and Associates in relation to the regional infrastructure of seven local Riverina region councils was prepared. The Conargo Shire Council was included in this study, which also covered:

- Berrigan Shire Council;
- Deniliquin Council;

- Hay Shire Council;
- Jerilderie Shire Council;
- Murray Shire Council; and
- The Council of the Shire of Wakool.

Graham Bradley of Auswild & Co was also requested to conduct a detailed financial analysis of the same seven councils.

These reports are included as Appendices I and II respectively to our report, and the detail contained within them has been utilised to calculate the following Fit for the Future benchmarks:

5.3.1 Sustainability

Measure/benchmark	2011/12 Actual	2012/13 Actual	2013/14 Actual	Benchmark Achieved?
Operating Performance Ratio (Greater than or equal to breakeven average over 3 years) As detailed in the Financial Statements 2014 Note 13a(i)	26.60%	6.30%	(12.01%)	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	38.74%	39.75%	45.59%	No
Total continuing operating revenue less all grants and contributions	3,723,000	3,381,000	3,069,000	
Total continuing operating revenue inclusive of capital grants and contributions	9,610,000	8,505,000	6,732,000	
Building and Asset Renewal Ratio (Greater than100% average over 3 years) As detailed in the Audited Financial Report 2014, Special Schedule No 7	142.16%	103.35%	142.23%	Yes

Source: Financial Statements 2013 and 2014.

5.3.2 Infrastructure and Service Management

Measure/benchmark	2011/12 Actual	2012/13 Actual	2013/14 Actual	Benchmark Achieved?
Infrastructure Backlog Ratio	0.00%	0.00%	0.04%	Yes

Measure/benchmark	2011/12 Actual	2012/13 Actual	2013/14 Actual	Benchmark Achieved?
(Less than 2%) As detailed in the Audited Financial Report 2014, Special Schedule No 7				
Asset Maintenance Ratio (Greater than 100% average over 3 years) As detailed in the Audited Financial Report 2014, Special Schedule No 7	100.00%	100.00%	129.41%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0%	0%	0%	No
Cost of debt service (interest expense & principal repayments)	-	-	-	
Total continuing operating revenue (exc. capital grants and contributions)	8,904,000	8,165,000	6,629,000	

Source: Financial Statements 2013 and 2014.

5.3.3 Efficiency

Measure/benchmark	2011/12 Actual	2012/13 Actual	2013/14 Actual	Benchmark Achieved?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	4,136	4,946	4,865	No
Actual Operating Expenditure	6,524,000	7,632,000	7,506,000	
Population	1,577	1,543	1,543	

Source: Financial Statements 2013 and 2014, Australian Bureau of Statistics “Regional Population Growth, Australia, 2013”.

These ratios have been prepared based on the General Fund position as Conargo does not have water or sewer operations.

Please note that while official population statistics after 2013 were not available at the time of preparation of this report, it is the view of Conargo Shire Council that the population of Conargo will have further declined since the last official statistics were released.

It is acknowledged that the forecast from the Australian Bureau of Statistics is for an increase in population over time, however it is the view of Conargo Shire Council that this is a longer term outlook and not necessarily indicative of the trend in population for the shire in recent times..

5.3.4 Summary

Of the seven ratios prescribed by the NSW Government, Conargo meets only four. It should be noted however that the ratios have simple explanations that would not compromise Conargo's ability to operate as a rural council. Explanations for these ratios are set out below:

- Own source revenue ratio: The relatively low rate base and the significant amount of infrastructure (e.g. roads) required to cover the whole expanse of the shire means that own source revenue will always be a challenge for a shire of this type/size.

- Debt service ratio: Conargo does not have any debt as its councillors are focussed on maintaining a strong financial position. In addition, the community strategic plan has not identified anything that council should supply that would require debt funding.

  Given that their infrastructure backlog is minimal and their assets are maintained to the required standard of ratepayers there is no justification for taking on debt at this time.

- Real operating expenditure per capita: The low (and declining population base) and large geographical area of the shire mean that this ratio will always be challenging to meet. Given the declining population base, it is the view of the council that this metric is not necessarily indicative of spending levels relative to other councils.

  Conargo Shire Council have suggested that a range of other measurements may provide a more meaningful indication of spending levels, including spending relative to the length of the road network, and also spending compared to the size of the Conargo Shire in square kilometres.

  Conargo has a significant network of roads covering 1,410km that must be maintained not only for the benefit of its static population, but also for the benefit of those passing through the shire for the purposes of trade and personal travel.

  Conargo's geographic area is also quite large, at 8,738km^2, and much of the council's operating expenditure has a greater linkage to the size of the council rather than its population.

  It should also be noted that any change in council structure (via mergers or other arrangements) would not affect the area covered or the road network and population that resides within this area.

5.4 Community consultation

In February 2014 ratepayers were provided with a survey to identify the current level of community satisfaction with Conargo Shire Council's performance, as well as understand attitudes towards potential changes to Council structure in the future.

This survey included four questions, with the results for these questions summarised below:

Question	Yes	No
Do you support Conargo Shire Council operations	95.0%	5.0%
Are you satisfied with the service provided by Conargo Shire Council	97.1%	2.9%
Do you support any merger or boundary changes?	8.8%	91.2%
If yes, with who?	Deniliquin	29.3%
	Wakool	26.8%
	Murray	24.4%
	Berrigan	11.0%
	Jerilderie	8.5%

Source: Conargo Shire Council Community Survey 2014.

These survey results support a number of conclusions that are relevant to this matter, including:

- Conargo Shire residents and ratepayers are very supportive of Conargo Shire Council operations;
- Conargo Shire residents and ratepayers are very satisfied with the service provided by Conargo Shire Council;
- There is an overwhelming preference from Conargo Shire Residents to remain a standalone council and not merge with other councils; and
- If a merger was required, the preferred councils with which to merge are Deniliquin, Wakool and Murray, in that order. We should also acknowledge that a merger between Conargo and the three highest ranking councils for this question does not actually align with the recommendation of the Government Review Panel for Conargo to merge with Deniliquin and Murray.

Given the survey results detailed above, Conargo's councillors believe that the standalone Rural Council option must be seriously considered in order to meet the expectations of residents and ratepayers.

5.5 Becoming and Remaining Fit for the Future

The NSW Government's guidelines for Rural Councils sets out six options for ensuring that a council is and remains fit for the future. These options include:

- Resource sharing – Either with neighbouring councils or via a Regional Joint Organisation;
- Shared administration – Agreements with neighbouring councils;
- Specialty services – Marketing specialist services to other councils e.g. via a Centre of Excellence;
- Service review – Exploring options for improved cost recovery in service provision, or optional service delivery methods;
- Streamlined planning, regulation and reporting – Exploring flexibility under current legislative provisions, as well as adopting new options following legislative review; and
- Streamlined governance – Reducing the number of Councillors or formal council meetings, making greater use of committee structures.

While Conargo Shire Council in its current form meets many of the criteria as a Rural Council and may be considered sustainable compared to many other councils with similar characteristics, its willingness to work in co-operation with various other councils should also allow it to address the six criteria detailed above.

Given Conargo's strong relative financial position compared to neighbouring councils of Berrigan, Deniliquin, Hay, Jerilderie, Murray and Wakool and the further efficiencies that can be achieved through collaboration and resource sharing as part of a potential JO, the option of operating as a standalone Rural Council appears sustainable.

5.6 Recommendation

Based on our review, we believe that continuing as a standalone Rural Council is a viable option for Conargo, and would provide the best outcome for residents and ratepayers of Conargo Shire Council in the outlook period of up to 5 years.

6. Merger

In order to assess the suitability of the Government Review Panel's merger recommendation of Conargo, Deniliquin and Murray councils, we have reviewed a number of key areas based on the NSW Government's Fit for the Future Guidance as well as other factors that we consider relevant.

These areas include:

- SWOT analysis;
- Financial information;
- Community consultation; and
- Representation.

Our findings with respect to these areas are detailed in the following sub-sections.

6.1 SWOT Analysis

6.1.1 Strengths

- Efficiencies/economies of scale
- Conargo will start paying their share of use of subsidised assets (e.g. swimming pool)
- Lower wages through reduced duplication
- More resources available to Conargo residents for various services including planning, plumbing, animal control, building expertise.
- Murray's infrastructure backlog is only $1.6m (per financial statements) which is relatively low
- Strong growth in Murray council (second best in the state)
- Increased RMS and private works

6.1.2 Weaknesses

- Infrastructure backlog in Deniliquin, which is detailed as $28.8m for all assets.
- Conargo's infrastructure backlog is only disclosed as $45k, and so Conargo's reserves may be drained to fund Deniliquin's infrastructure backlog.
- Much of Deniliquin's backlog relates to water and sewerage, which Conargo does not have, and the reallocation of reserves would then be wholly for the benefit of Deniliquin residents.
- Lower infrastructure dollars from Conargo and Murray councils (compared to Deniliquin)
- Murray have Moama in their area of service along with Deniliquin, which could result in focus and expenditure being targeted away from the Conargo and Deniliquin regions that are currently of greater focus for Conargo.
- Community support for a three way merger is perceived as low. Deniliquin's community is perceived as a stronger fit with Murray, with the success of any amalgamation being dependent on bringing like communities together.
- Would probably spend half of the $13m government merger grant on constructing an office as none of the current facilities are suitable.
- Completely different IT systems between three councils would therefore have costs in aligning all councils.

6.1.3 Opportunities

- Funding available from the merger (government grant as an incentive to merge)
- Rationalisation of plant and equipment owned by both councils (Conargo may have some equipment that is of a better standard or in better condition that may be retained, with other equipment sold off)
- Potential establishment of an aged care facility in the region which has been flagged as a priority within Conargo shire
- Waste management

6.1.4 Threats

- Loss of community reserves
- Reduction in levels of service and maintenance of assets

- Loss of community support
- Increased rates (even beyond rate pegging) and change of mix of rural vs town rates (in favour of towns)
- Reduced priority of Conargo assets given disparity in condition and lower population of Conargo
- Potential harmony of councillors (Murray appear to have had some issues in the past)
- Reduction in levels of service and maintenance of assets
- Loss of representation given disparity in population between the three councils (with a much greater population for Deniliquin).
- Competing commercial interests between the three councils, with potential for funding to be spent outside of the state even (leakage to Victoria)
- Reduced share of the government incentive to go to Conargo.

6.2 Financial information

Utilising the NSW Government's guidelines for Template 1 (a merger proposal), there is no requirement to calculate set ratios to assess the viability of each council.

We would however draw attention to the findings of Auswild & Co in their report titled Financial Analysis of Selected Councils (see Appendix II), in which the various councils were ranked on a number of financial metrics relative to the other councils in the survey.

Rankings that we consider relevant for the purposes of assessing the merger proposal are detailed below:

6.2.1 Operating Surplus/(Deficit) before Capital Movements

A council's operating surplus/(deficit) before capital movements provides a strong indication of the sustainability of council's general operations outside of capital investment.

In order to provide meaningful information to analyse this area, Auswild & Co adjusted the operating surpluses for 2013/14 to reflect the reduced financial assistance grants received due to the government's decision to realign the grants to the year to which they relate. This then allowed them to assess the adjusted operating surpluses and determine which councils were in a position to report a sustainable operating surplus before capital movements.

Auswild & Co found that the following councils were in a position to report sustainable operating surpluses before capital movements:

- Conargo Shire Council
- Deniliquin Council
- Murray Council

As a result of their analysis, Auswild & Co were not confident in the ability of the other councils to report future operating surpluses.

6.2.2 Internally & Unrestricted Cash & Investments

The ability of councils to fund future operations without resorting to significant increases in borrowings is a significant challenge confronting local governments.

Detailed below is the assessment of Auswild & Co regarding the internally and unrestricted cash position, with 1 being the best prepared.

Position	Council
1	Conargo Shire Council
2	Murray Shire Council
3	Wakool Shire Council
4	Jerilderie Shire Council
5	Berrigan Shire Council
6	Deniliquin Council
7	Hay Shire Council

Source: Auswild & Co, 2015

6.2.3 Infrastructure, Property, Plant & Equipment

The condition of infrastructure across the various councils, and any disparity between proposed merging councils, will have a significant effect on the success of any proposed merger.

Detailed below is the assessment of Auswild & Co regarding infrastructure condition, with 1 being the best condition.

Position	Council	% Depreciated
1	Murray Shire Council	24%
2	Conargo Shire Council	28%
3	Jerilderie Shire Council	32%
4	Wakool Shire Council	35%
5	Berrigan Shire Council	38%
6	Hay Shire Council	49%
7	Deniliquin Council	50%

Source: Auswild & Co, 2015

6.2.4 Summary

While each of the three councils proposed in the merger appear to have sustainable operating positions before capital movements, we would have some concerns about Deniliquin's internally and unrestricted cash reserves and investments and the standard of their infrastructure.

Deniliquin's lower ranking in these areas would indicate that they may not be the most suitable merger partner for Conargo from a financial perspective.

6.3 Community consultation

As detailed in section 5.4, surveying of Conargo residents and ratepayers has shown overwhelming support for Conargo to continue as a standalone Rural Council rather than merge with another council.

The surveying did show however that if a merger was required, there was a good level of support from the community for mergers with Deniliquin and Murray councils.

6.4 Representation

The following table provides a summary of the populations of the three shires that would merge under the government's recommendation:

Shire	Population	Percentage
Conargo	1,543	9.44%
Deniliquin	7,376	45.15%
Murray	7,418	45.41%
Total	**16,337**	**100.00%**

Source: Australian Bureau of Statistics "Regional Population Growth, Australia", 2013

Given the above disparity in population between the councils, it would not be unreasonable to assume that the representation for Conargo would be significantly reduced, if not eliminated entirely, if council elections were based on voting across the merged council. With less than 10% of the vote, Conargo would be faced with having perhaps only one councillor from the Conargo region representing them on a merged council, and concerns about a loss of representation would therefore appear justified.

While Deniliquin and Murray would also have reductions in representation, the reduction would not be of the same magnitude as we would expect for Conargo.

6.5 Recommendation

Based on our review, we do not believe that a merger with Deniliquin and Murray councils is the best option for Conargo. We have arrived at this conclusion for a number of reasons, including:

- The merger would result in a significant reduction in representation for Conargo residents and ratepayers due to the significant disparity between the population bases in the existing Conargo Shire in proportion with the proposed council region, being less than 10% of the total combined population under the proposed merger.
- The priorities of Conargo are not always closely aligned with those of Deniliquin and Murray, and the loss of representation would therefore mean that these priorities would become less significant to the merged council.
- Conargo's financial position appears stronger in relative terms than that of Deniliquin and Murray councils, and there is a risk that a merger could mean a decline in financial position and resources available to maintain levels of service to the Conargo area.
- There is a lack of community support for the merger from Conargo residents and ratepayers.

7. Conclusion

We have considered the options of a standalone Rural Council and a merged council with Deniliquin and Murray Shire councils.

In the course of our review we have considered a number of factors including guidance from the NSW government in relation to merged and Rural Councils, the financial strength and sustainability of Conargo and other councils, and other non-financial factors such as representation, council characteristics and priorities, and community views.

As a result of our review, it is our opinion that it would be in the best interests of Conargo Shire Council, its residents and ratepayers, to submit an application for a Rural Council.

While the merger recommendation from the NSW Government is also a viable option, we would not consider it to be in the best interests of Conargo, its residents and its ratepayers.

8. Qualifications

This report has been prepared by Mr Ryan Muntz with the assistance of a number of his staff at Crowe Horwath under his direct control and supervision.

We have prepared this report solely for the purpose outlined in section 1.1 and it should not be used for any other purpose without our prior written consent. Accordingly, no member or employee of Crowe Horwath accepts responsibility in any way whatsoever for the use of this report for any purpose other than that for which it has been prepared.

We have considered and relied upon information, which we believe to be reliable, complete and not misleading. We have made all the inquiries, which we believe, are desirable and appropriate and that no matters of significance that we regard as relevant have, to our knowledge, been withheld from this report. We do not warrant that our enquiries have revealed all of the matters which an audit or extensive examination might disclose.

The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

Our opinion is based solely on the information set out in this report. We reserve the right to amend any conclusions, if necessary, should any further information become available. Nothing in this report should be taken to imply that we have verified any information supplied to us, or have in any way carried out an audit of any information supplied to us other than as expressly stated in this report.

Yours faithfully
CROWE HORWATH (AUST) PTY LTD

RYAN L MUNTZ
Principal

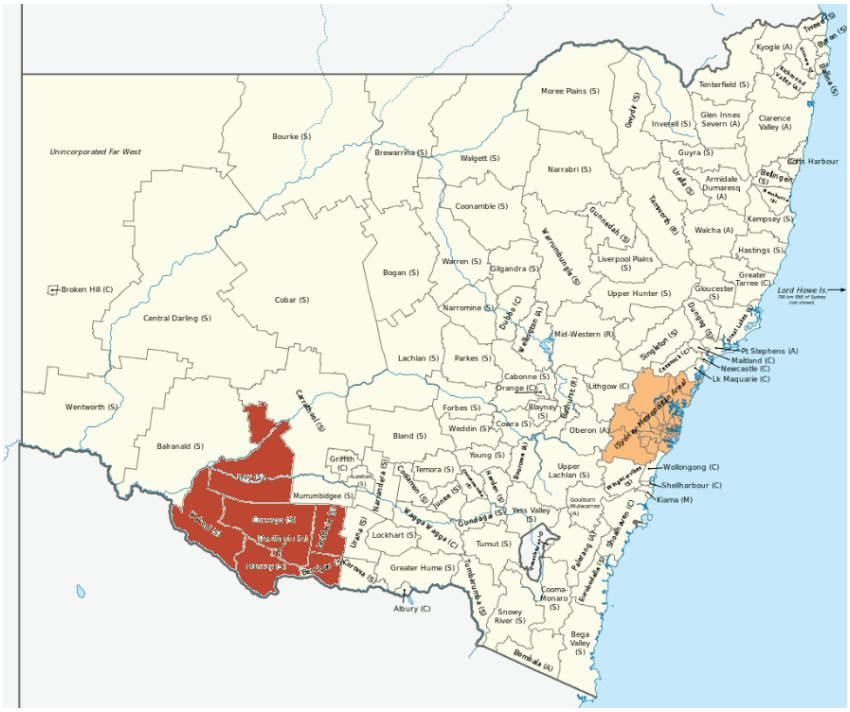
9. Appendix I – 2015 Regional Infrastructure Study

Prepared by Jeff Roorda of Jeff Roorda & Associates, 19 February 2015.

2015 Regional Infrastructure Study

Berrigan, Conargo, Deniliquin, Hay, Jerilderie, Murray and Wakool Shire Councils

A report prepared by Jeff Roorda, JRA



Version 2.00

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Ver. Nº	Date	Revision Details	Author	Reviewer	Approver
1.00	17 Feb 2015	Version 1 – First DRAFT for comment	SV(JRA) JR (JRA)	JR (JRA) J.Comrie (JAC)	
1.00	18 Feb 2015	FINAL REPORT	SV(JRA) JR (JRA)	JR (JRA) J.Comrie (JAC) B. Barlow (CSC)	
2.00	19 Feb 2015	FINAL REPORT incorporating examples of asset and risk management practices at Conargo & Wakool Shires	SV(JRA) JR (JRA)	JR (JRA) B. Barlow (CSC)	JR

Table of Contents

ABBREVIATIONS

ACELG	Australian Centre of Excellence for Local Government
AIFMG	Australian Infrastructure Financial Management Guidelines (IPWEA)
AM	Asset Management
AMIP	Asset Management Improvement Plan
AM Plan	Asset Management Plan
AMS	Asset Management Strategy
CSP	Community Strategic Plan
IIMM	International Infrastructure Management Manual (IPWEA)
IPWEA	Institute of Public Works Australasia
IRMP	Infrastructure Risk Management Plan
JRA	Jeff Roorda & Associates
KMS	Knowledge Management Strategy
LGPMC	Local Government and Planning Ministers' Council
LTFP	Long Term Financial Plan
NAF	National Assessment Framework
NAMF	National Asset Management Framework
NAMS.PLUS	IPWEA Online Guided Pathway for Asset Management Planning – Tools & Templates
NSoA	National State of the Assets

1. EXECUTIVE SUMMARY

This infrastructure study has been prepared for the seven councils of Berrigan, Conargo, Deniliquin, Hay, Jerilderie, Murray and Wakool.

The main purpose of the study is to:

- Provide information in relation to the extent and performance of local infrastructure;
- Identify current infrastructure risk exposure;
- Determine the ability of Councils to meet long term investment needs in the renewal and acquisition of infrastructure assets; and
- Recommend improvements to the management and reporting of council's infrastructure assets.

Councils' combined local infrastructure has a replacement value of $1.51bn, which is being consumed at the rate of 1.7% or $26M per annum and its current written down value is $891M as reported in councils audited Financial Statements as at 30th June 2014.

All councils were rated as Moderate or Sound (with the exception of Wakool who was rated as Weak) under the TCorp assessment suggesting most councils have adequate capacity to meet financial commitments in the short to medium term and have the ability to address operating deficits with moderate revenue and/or expense adjustments. Since the rating by TCorp, Wakool has updated asset management plans and JRA would now consider Wakool as Moderate.

The value of road infrastructure being reported in a poor to very poor condition is $110M which is 14% of the total current replacement cost (NSoA, 2014). This compares to the national total of 11% of road infrastructure in poor to very poor condition.

The estimated cost to bring to a satisfactory standard reported in Special Schedule 7 is $49M but the calculation methodology is inconsistent and JRA considers the current reporting methodology unreliable.

The extent of borrowings (debt) being reported at the end of June 2014 is $14.3M with an operating result excluding capital grants of -$8.5M.

Risks Critical to Council's Operations

Under current conditions Council forecasts continuous operating deficits (excluding capital grants and contributions) that will require service level reduction.

Councils with advanced asset management plans (such as Conargo and Wakool) are already planning a sustainable position by reducing service levels and managing high residual risks in consultation with the community. This includes reverting low volume sealed roads to gravel (Conargo) and reducing gravel resheeting frequencies on low priority unsealed roads and replacing failed timber bridges (Wakool). All councils are able to manage risks by rebalancing service levels and revenues with our without amalgamations.

Asset Management Capability

Asset management practice and capability is improving with most councils adopting IIMM principles and all have access to AM templates and modelling tools via the IPWEA NAMS.PLUS online guided pathway for asset management planning.

Findings

Councils are reporting wide variances in the cost to bring infrastructure to a satisfactory standard which is mainly a reflection of differing methods of calculation. The use of written down value in Special Schedule 7 condition profiles has the potential to provide misleading results.

Councils are carrying low levels of debt but also have low capacity to repay additional borrowings.

All Councils in this group are updating asset management plans and special schedule 7 reporting in alignment with revaluation of roads and drains and fit for the future applications will reflect these updates. This is likely to show an improved sustainability position for all councils by rebalancing revenues and service levels.

Individually and collectively, councils in the region are planning to reduce service levels to balance long term revenues and expenditures. Most councils have competent asset management practices, however given the forward outlook for reduced service levels by all councils, asset and risk management plans should be updated annually, connect to the budget process and align with annual reporting on service levels and risk trends.

Amalgamations are unlikely to change this downward service level trend. The cause of service level reduction is a long and continuing trend of grant revenues not keeping up with cost increases. The low ratio of population to infrastructure means increasing rates to fill the funding gap without reducing services would result in social equity problems.

Recommendations

1. Apply a regionally consistent approach to the inputs and outputs for asset revaluation, resourcing strategies and sustainability reporting.[1]
2. Prepare a regional asset management and communication engagement strategy to communicate the planned downward trend for service levels and the reasons for this trend irrespective of amalgamations.
3. Update the IP&R resourcing strategies to balance LTFP and AM Plans with service level and risk projections in parallel with the revaluation of roads and drains.

[1] Resources are available on http://www.datashare.net.au/

2. INTRODUCTION

In December 2014 Jeff Roorda & Associates (JRA) was approached to undertake a regional infrastructure study of seven local councils to:

1. Provide information in relation to the extent and performance of local infrastructure;
2. Identify current infrastructure risk exposure;
3. Determine the ability of councils to meet long term investment needs in the renewal and acquisition of infrastructure assets; and
4. Recommend improvements to the management of council's infrastructure assets.

The seven local councils studied are located in the Riverina region of south-western New South Wales, Australia.

1. Berrigan Shire Council
2. Conargo Shire Council
3. Deniliquin Council
4. Hay Shire Council
5. Jerilderie Shire Council
6. Murray Shire Council
7. The Council of the Shire of Wakool

The following six main infrastructure categories (where operated) were analysed at a network level as part of study.

1. Buildings
2. Roads[2]
3. Water
4. Sewerage
5. Stormwater
6. Open Space/Recreational

Background

Table 1: Comparative council data

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total	NSW
Land Area (km²)	2,066	8,738	143	11,326	3,373	4,345	7,521	**37,512**	800,642
Population 2014	8,644	1,689	7,633	3,349	1,674	7,319	4,389	**34,697**	7,500,600
Population 2034	9,600	1,900	6,100	2,300	1,300	10,900	3,700	**35,800**	9,300,000
Councillors (Nº)	8	8	7	8	7	9	6	**53**	1,480
Population per Councillor (Nº)	1,081	211	1,090	419	239	813	732	**655**	5,068
Council employees (Nº)	87	37	75	53	45	82	72	**451**	44,699
Council employees per 100 persons	1.0	2.2	1.0	1.6	2.7	1.1	1.6	**1.3**	0.6

[2] Excludes bulk earthworks.

The total land area of the seven councils combined is 37,512 km² with the current population of approximately 35,000 likely to remain stable with a 2% increase to 35,800 predicted by 2034.

Total number of sitting councillors is 53 each representing 655 people and the number of council employees is 451.

Table 2: Comparative financial data

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Total operating revenue 2014	$18,913	$6,732	$17,337	$9,863	$8,433	$18,946	$16,963	**$97,187**
Total Rates & Annual Charges 2014	$8,629	$2,404	$8,765	$3,805	$2,169	$7,484	$5,918	**$39,174**
Annual Average Capital expenditure (2015-2024)	$6,165	$6,040	$1,995	$2,218	$3,100	$7,109	$8,382	**$35,010**
Infrastructure assets as at 30 June 2014 (DRC)	$166,615	$100,922	$129,664	$66,610	$65,575	$169,000	$193,002	**$891,388**
Debt as at 30 June 2014	$354	$-	$4,890	$1,852	$614	$2,353	$4,268	**$14,331**
Financial Assets	$17,648	$8,897	$16,552	$7,569	$7,444	$16,180	$17,244	**$91,534**
Equity 2014	$200,891	$134,697	$148,408	$76,310	$104,667	$338,074	$284,413	**$1,287,460**

The level of combined debt to the current written down value (depreciated replacement cost) of infrastructure is 1.6%.

Financial Sustainability

A council is deemed financially sustainable if its infrastructure and financial capital is able to be maintained over the long term. There is a clear focus on local government being able to manage through the various economic cycles without having to increase rates or reduce services (expenditures) in a way that threatens to, or has a significant impact on, a resident's cost of living and/or the social well-being of the community.

In 2013 the New South Wales Treasury Corporation (TCorp 2013) assessed the long term financial capacity and performance of each council as follows:

Table 3: 2013 TCorp Financial Sustainability Assessment and JRA Comment

	Conargo	Murray	Berrigan	Hay	Jerilderie	Deniliquin	Wakool
Rating	Sound	Moderate	Moderate	Moderate	Moderate	Moderate	Weak
Outlook	Neutral	Neutral	Neutral	Negative	Negative	Negative	Negative

JRA is broadly supportive of the TCorp findings, however Wakool should now be Moderate Rating with Neutral Outlook following updated asset and risk management plans.

Conargo has been in a consistently sound position with very good asset management plans and practices. Council has implemented service level efficiencies by reducing service levels and costs for low use roads while maintaining service levels for roads and facilities that are important to the community. This explains why some of Conargo's roads are reported in poor condition. This is in alignment with the asset management and sustainability strategy and represents minimal risk to the community.

Wakool's case study has shown that a focus on asset and risk management plans enables all councils to balance revenues and service level. This was well documented in the *Roadmap to Financial Sustainability for Local Governments in NSW* (September 2013, JAC Comrie Pty Ltd).

All councils will have to reduce service levels to balance revenues and expenditures and the amalgamation of councils is unlikely to change that outlook.

All Councils in this group are updating asset management plans and Special Schedule 7 reporting in alignment with revaluation of roads and drains and Fit for the Future applications will reflect these updates.

Irrespective of amalgamations, all Councils in this group can be financially sustainable by a continued focus on efficiency that incorporates a rebalancing of revenues and service levels over a 10 year period. Benchmarking practices and inputs such as useful lives, unit costs and risk management strategies are supporting strategies for sustainability and advocacy to reverse the decline in grant funding leading to a reduction in service levels.

A report prepared by Jeff Roorda, JRA

Scope and approach

Our approach is to review:

1. Regional economic data and information
2. Asset Management practices and performance using data publicly available and work JRA has recently undertaken for the Australian Local Government Association (ALGA) and the Institute of Public Works Australasia (IPWEA).
3. Council's historical performance and forecast financial outcomes through financial ratio and Resourcing Strategy documentation analysis.

Data and information was sourced from:

- 2013/14 Financial Statements
    - Income Statement
    - Balance Sheet
    - Special Schedule 7 – Report on Infrastructure assets
        - Infrastructure valuations
        - Maintenance costs &
        - Cost to bring to Satisfactory
    - Special Schedule 8 – Financial Projections
        - Planned capital budget (Renewal and New)
- Financial Sustainability of the New South Wales Local Government Sector (TCorp 2013)
    - Financial Sustainability Ratings & outlook
- AM Plans & Strategy (where available)
    - Service level targets and performance
    - Infrastructure renewal projections
- Australian Infrastructure Financial Management Guidelines (IPWEA)
    - Performance measures
        - Operating Surplus Ratio
        - Net Financial Liabilities Ratio
        - Asset Sustainability Ratio
        - Asset Renewal Funding Ratio
        - Operating Surplus (net of Capital grants)
        - Net Financial Liabilities
        - Interest Cover Ratio
        - Asset Consumption Ratio
- IPWEA (NSW) 2012 Road Asset Benchmarking Project
- ALGA National State of the Assets Report for 2014

The study is based on a 'point in time' assessment and the findings should be viewed as indicators for further investigation given the project scope, timeframe and budget constrained a more comprehensive time series analysis.

3. INFRASTRUCTURE OVERVIEW

The following key infrastructure categories were analysed as part of this study given they represent in dollar terms the largest proportion of assets each council is responsible for.

1. Buildings;
2. Roads;
3. Water;
4. Sewerage;
5. Stormwater; and
6. Open Space/Recreational

An inventory summary of the key assets each council has is shown in the following table.

Table 4: Assets Managed by Each Council

	Swimming Pools (Nº)	Public Halls (Nº)	Libraries (Nº)	Open Public Space (ha)	Road Length (km)
Berrigan	3	5	4	138	1,375
Conargo	0	6	0	26	1,410
Deniliquin	1	4	1	1,137	173
Hay	1	4	1	129	941
Jerilderie	1	3	1	122	1,101
Murray	2	9	1	105	1,452
Wakool	3	9	2	32	1,572
Total	**11**	**40**	**10**	**1,689**	**8,024**

The forward trends on revenues and expenditures mean that ongoing community engagement is essential to determine how many of these facilities remain and at what level of service is provided while managing risk.

Financial Status of the Assets

The financial status of council's infrastructure assets[3] is shown in Table 5. At the end of June 2014, the total replacement value of council controlled assets is calculated at $1.51bn with a Depreciated Replacement Cost of $891M and an Annual Asset Consumption (Depreciation) value of $26M.

Table 5: Financial Status of the Infrastructure Assets

Council	Replacement Cost ($'000s)	Depreciated Replacement Cost ($'000s)	Annual Depreciation Expense ($'000s)
Berrigan	$267,696	$166,615	$4,445
Conargo	$145,932	$100,922	$2,695
Deniliquin	$261,117	$129,664	$3,693
Hay	$130,448	$66,610	$1,988
Jerilderie	$107,915	$65,575	$2,135
Murray	$264,487	$169,000	$5,332
Wakool	$328,028	$193,002	$5,741
Total	**$1,505,623**	**$891,388**	**$26,029**

[3] Includes Buildings, Roads (excluding bulk earthworks), Water, Sewerage, Stormwater & Open Space/Recreational assets only.

Source: Note 9a of the Financial Statements for the period ending 30 June 2014

Asset Consumption and Renewal

The asset consumption ratios of council's assets (average proportion of 'as new' condition left in assets) are shown in Figure 1 below. The ratio seeks to highlight the aged condition of council's assets and measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

It is calculated by dividing the Depreciated Replacement Cost by the Current Replacement Cost of infrastructure assets and is expressed as a percentage. If a local government is responsibly maintaining and renewing / replacing its assets in accordance with a well prepared asset management plan, then the fact that its Asset Consumption Ratio may be relatively low and/or declining should not be cause for concern – providing it is operating sustainably.

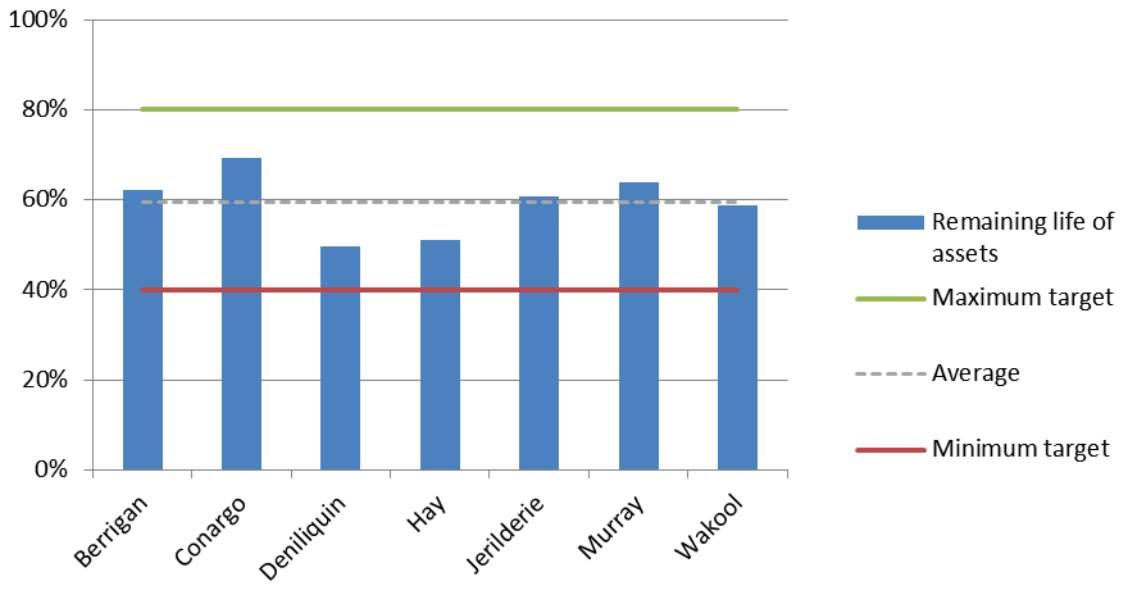


Figure 1: 2014 Asset Consumption Ratio profile

The indicative target range is between 40% and 80%. The majority of assets have close to and/or above 50% of life remaining with the overall combined Asset Consumption Ratio totalling 59.4%. In other words, on average assets are 40.6% (consumed) through their expected life.

In dollar terms, Conargo has the highest consumption ratio at 69.2% suggesting assets are relatively new 'on average' with users experiencing relatively high levels of service whilst Deniliquin Council has the lowest consumption ratio at 49.7% with users presumably experiencing lower levels of service. If this is not the case and service levels are not as indicated above, the **useful life of the assets may not reflect the reality of the assets' service performance and remaining life.**

Table 6: Current position on Infrastructure Asset Management

Council	Asset Consumption Ratio (DRC/CRC)	Rate of Asset Consumption (Dep/CRC)	Rate of Asset Renewal (Renewal Exp/ CRC)	Asset Sustainability Ratio (Renewal Exp/Dep)	Useful Life (years) (CRC/Dep)
Berrigan	62.2%	1.7%	1.3%	77%	60
Conargo	69.2%	1.8%	2.6%	142%	54
Deniliquin	49.7%	1.4%	0.6%	45%	71
Hay	51.1%	1.5%	1.7%	115%	66
Jerilderie	60.8%	2.0%	1.4%	71%	51
Murray	63.9%	2.0%	1.7%	82%	50
Wakool	58.8%	1.8%	1.7%	98%	57
Total	**59.4%**	**1.7%**	**1.6%**	**90%**	**58**

Assets are being consumed at a rate of 1.7% of the Current Replacement Cost. This is an average figure over the life cycle of the asset (up to 100 years).

Overall, the 1.6% rate of asset renewal[4] is slightly less than the rate of consumption at 1.7%. Interestingly the rate of asset renewal against consumption for individual councils varies significantly. At Deniliquin Council it is much less than asset consumption (up to 57% lower) compared to Berrigan (24% lower), Conargo (42% higher), Hay (13% higher), Jerilderie (30% lower), Murray (15% lower) and Wakool (5% lower).

For sustainability in service delivery, the rate of asset renewal should equal to the rate of asset consumption on average over the long term. This does not mean that asset renewal should equal asset consumption in each and every year. Asset consumption is an average figure, whereas the rate of annual asset renewal can vary widely, depending on community and council priorities and available funds.

It is important that councils understand their asset management position, know what asset renewals are required to continue to provide the levels of service that the community needs and how the asset renewals are to be financed.

An asset management plan documents the services to be provided, how the services are to be provided and the funds required for asset operation, maintenance and renewal over a 10 to 20 year period. The asset management plan expenditure forecasts inform the long term financial plan and assist councils in deciding the allocation of finance to the community's resources.

Councils are reporting a wide variability (up to 20 years) in the overall useful life suggesting service levels may be higher in some areas (e.g. Conargo, Jerilderie & Murray) compared to others (e.g. Hay & Deniliquin) as assets are replaced sooner than later. This will become a management challenge should amalgamation occur as communities tend to expect consistent service standards and performance for similar types of assets in similar locations and operating environments.

An assessment of the renewal expenditure relative to depreciation (Asset Sustainability Ratio) indicates if a council is replacing its assets in an optimal way so as to minimise whole-of-life costs and therefore cost-effectively maintain service levels. When asset portfolios are young (i.e. reporting a high Asset Consumption Ratio) the amount of annual renewal expenditure per average annual asset consumption (depreciation) would typically be low say 50% or less. When assets are old, the ratio may be more than 100%.

Should this not be the case council may be over or under servicing the assets and an assessment of the long term renewal needs will need to be undertaken and balanced against service level targets agreed to with the community.

State of the Assets Reporting

As part of the national agenda for consistent reporting on infrastructure asset performance the Australian Local Government Association (ALGA) conducts an annual National State of the Assets (NSoA) report for local roads. The 2014 report can be found on the ALGA website at http://alga.asn.au/?ID=12827&Menu=50,550.

Data is collected for the following four asset groups:

- Sealed Roads, Unsealed roads, Concrete bridges and Timber bridges

Every council across Australia (565) is asked to provide a performance assessment of these assets (as a proportion of the gross replacement cost) in a good to very good, fair and poor to very poor state for quality/condition, function/fit for purpose and capacity/utilisation, with associated confidence levels.

All seven councils in this study have consistently contributed valuation and performance data to the NSoA report and the proportion and value of road infrastructure reported in a poor to very poor condition is shown in table 7.

[4] Forecast asset renewal (sourced from Special Schedule 7 of the 2013/14 Financial Statements) divided by the Current Replacement Cost.

Table 7: Proportion and value (CRC) of road infrastructure reported in a poor to very poor condition

	Proportion & value (CRC) of road infrastructure in a poor to very poor condition									
	Sealed Roads ($'000)		Unsealed Roads ($'000)		Concrete Bridges ($'000)		Timber Bridges ($'000)		Total ($'000)	
Berrigan	15%	$8,346	15%	$4,580	70%	$4,502	0%	$-	**19%**	**$17,428**
Conargo	23%	$23,637	6%	$1,034	5%	$223	0%	$-	**20%**	**$24,894**
Deniliquin	24%	$12,825	41%	$6,136	0%	$-	0%	$-	**27%**	**$18,961**
Hay	5%	$2,045	35%	$1,927	0%	$-	95%	$2,003	**12%**	**$5,975**
Jerilderie	0%	$-	5%	$1,484	0%	$-	0%	$-	**2%**	**$1,484**
Murray	5%	$5,851	5%	$456	0%	$-	100%	$601	**5%**	**$6,908**
Wakool	19%	$26,659	17%	$2,673	2%	$653	25%	$4,347	**16%**	**$34,332**
Total	**13%**	**$79,364**	**18%**	**$18,290**	**11%**	**$5,379**	**31%**	**$6,950**	**14%**	**$109,982**

Councils are reporting 14% of road infrastructure ($110M) in a poor to very poor condition. Some councils with more advanced asset management practices are rebalancing service levels and revenues to reduce life cycle costs. For example in Conargo Shire sealed roads with very low traffic volumes have a lower life cycle cost if reverted to unsealed roads, provided there is an adequate supply of low cost appropriate quality gravel. Similarly, resheeting frequencies on low priority unsealed roads are being reduced in Wakool Shire whilst supporting increased inspection, maintenance and planned maintenance practices.

This shows that the definition of a satisfactory standard must be linked to residual risk. Assets can be in poor condition with no risk if this aligns with councils asset and risk management plan. This must be communicated to the community, the region and other levels of government.

10 Year Forecast Expenditure

The forecast annual average maintenance, renewal and upgrade/new expenditure for infrastructure assets over the next 10 years is estimated in the order of $409M. This information is sourced from Special Schedules 7 & 8 of the Financial Statements. The 10 year expenditure forecast for each council is shown in Table 8 below.

Table 8: 10 Year Forecast Expenditure by Council

Council	10 year Maintenance ($'000)	10 year Capital Renewal Expenditure ($'000)	10 year Capital Upgrade/New Expenditure ($'000)	10 year TOTAL ($'000)
Berrigan	$30,500	$34,020	$-	$ 64,520
Conargo	$20,990	$38,330	$6,343	$ 65,663
Deniliquin	$22,590	$16,790	$-	$ 39,380
Hay	$17,220	$22,810	$-	$ 40,030
Jerilderie	$24,060	$15,120	$-	$ 39,180
Murray	$25,480	$43,980	$5,592	$ 75,052
Wakool	$27,170	$56,540	$1,387	$ 85,097
Total	**$168,010**	**$227,590**	**$13,322**	**$ 408,922**

Source: 10 year annual average estimates from 30 June 2014 Financial Statements.

Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include operating and maintenance expenditure and asset consumption (depreciation expense). The annual life cycle cost for the services covered in this asset management study is shown in Table 9.

Table 9: Life Cycle Cost for Council Assets

Council	Maintenance ($'000)	Depreciation Expense ($'000)	Life Cycle Cost ($'000)
Berrigan	$3,050	$4,445	$7,495
Conargo	$2,099	$2,695	$4,794
Deniliquin	$2,259	$3,693	$5,952
Hay	$1,722	$1,988	$3,710
Jerilderie	$2,406	$2,135	$4,541
Murray	$2,548	$5,332	$7,880
Wakool	$2,717	$5,741	$8,458
Total	**$16,801**	**$26,029**	**$42,830**

Source: 10 year annual average estimates from 30 June 2014 Financial Statements.

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes the annual operating, maintenance and capital renewal expenditure over the next 10 years calculated by averaging the next 10 year estimates.

Life cycle expenditure will vary depending on the timing of asset renewals. The annual life cycle expenditure over the planning period is shown in Table 10.

Table 10: Life Cycle Expenditure for Council Assets

Council	Maintenance ($'000)	Capital Renewal Expenditure ($'000)	Life Cycle Expenditure ($'000)
Berrigan	$3,050	$ 3,402	$ 6,452
Conargo	$2,099	$ 3,833	$ 5,932
Deniliquin	$2,259	$ 1,679	$ 3,938
Hay	$1,722	$ 2,281	$ 4,003
Jerilderie	$2,406	$ 1,512	$ 3,918
Murray	$2,548	$ 4,398	$ 6,946
Wakool	$2,717	$ 5,654	$ 8,371
Total	**$16,801**	**$ 22,759**	**$ 39,560**

Source: 10 year annual average estimates from 30 June 2014 Financial Statements.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than the life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing service to their communities in a financially sustainable manner. This is the purpose of the AM Plans and the Long Term Financial Plan.

A shortfall between life cycle cost and life cycle expenditure gives an indication of the life cycle gap to be addressed in the asset management and long term financial plan.

The annual life cycle gap and life cycle indicator for services covered by the Asset Management Plans is summarised in Table 11.

Table 11: Life Cycle Indicators

Council	Life Cycle Cost ($'000)	Life Cycle Expenditure ($'000)	Life Cycle Gap ($'000)	Life Cycle Indicator ($'000)
Berrigan	$7,495	$ 6,452	-$ 1,043	86%
Conargo	$4,794	$ 5,932	$ 1,138	124%
Deniliquin	$5,952	$ 3,938	-$ 2,014	66%
Hay	$3,710	$ 4,003	$ 293	108%
Jerilderie	$4,541	$ 3,918	-$ 623	86%
Murray	$7,880	$ 6,946	-$ 934	88%
Wakool	$8,458	$ 8,371	-$ 87	99%
Total	**$42,830**	**$ 39,560**	**-$ 3,270**	**92%**

The sustainability indicators are significantly influenced by the forecast of capital renewal and the planned expenditure on capital renewal.

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

Combined, the councils are responsible for $1.51bn of local infrastructure and the life cycle cost of the infrastructure is $42.8M per annum. The councils are forecasting future spending of $39.6M on average per year on existing infrastructure indicating a decrease on average a $3.3M per year or 92% of the total life cycle cost.

Estimated Cost to bring to Satisfactory Standard

Councils are reporting they need to outlay approximately $90M[5] to bring existing infrastructure assets to a satisfactory standard of service with 46% ($41M) of this number attributed to Road infrastructure in Wakool Shire and 16% ($14M) attributed to Sewerage infrastructure in Deniliquin. This raises the question regarding the validity of the claimed backlog and for it to be tested against the question *"Has the infrastructure reached the end of life and in need of renewal and do we have confidence in the order of cost to bring the infrastructure back to a satisfactory service standard"*.

Table 12: Estimated cost to bring infrastructure to a satisfactory standard

	Estimated Cost to bring to Satisfactory Service Standard?						
	Buildings ($'000s)	Roads ($'000s)	Water ($'000s)	Sewerage ($'000s)	Stormwater ($'000s)	Open Space Recreation ($'000s)	Total ($'000s)
Berrigan	$135	$227	$1,000	$1,610	$483	$170	**$3,625**
Conargo	$45	$-	$-	$-	$-	$-	**$45**
Deniliquin	$732	$3,410	$5,805	$14,444	$4,250	$230	**$28,871**
Hay	$-	$2,000	$-	$-	$-	$-	**$2,000**
Jerilderie	$136	$737	$-	$-	$-	$800	**$1,673**
Murray	$80	$1,320	$-	$-	$240	$-	**$1,640**
Wakool	$1,111	$40,954	$2,872	$4,582	$1,921	$-	**$51,440**
Total	**$2,239**	**$48,648**	**$9,677**	**$20,636**	**$6,894**	**$1,200**	**$89,294**

At this point it is worth noting the total rate and annual charges income of all councils in 2013/14 was $39M and the possibility of financing the costs to bring those assets in poor condition to satisfactory standard is clearly outside the realms of the local community.

[5] Source: Special Schedule 7.

4. PERFORMANCE MEASURES

In 2013/14 the total operating revenue was $97.2M, excluding capital grants this number is reduced to $90M. The breakdown of this revenue (excluding capital grants) by source is shown in the table below and highlights that on average councils generate the majority (around 59%) of their operating revenue from sources they control.

Table 13: Comparative sources of Operating Revenue in 2013/14 (excluding capital grants)

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total
	%	%	%	%	%	%	%	%
Rates and annual charges	50%	36%	53%	43%	30%	42%	38%	**43%**
User charges and fees	11%	4%	21%	12%	23%	22%	14%	**16%**
Operating grants	29%	54%	21%	40%	39%	30%	41%	**34%**
Other	9%	6%	5%	5%	8%	6%	7%	**7%**
Total operating revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Conargo has the highest proportion of operating grants per total operating revenue at 54% compared to Deniliquin with the lowest at 21%.

The proportion of depreciation expense of total operating expenses for each council is shown below.

Table 14: Depreciation expense of total operating expenses in 2013/14

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total
	%	%	%	%	%	%	%	%
Depreciation	29%	40%	27%	24%	29%	31%	37%	**31%**
Other	71%	60%	73%	76%	71%	69%	63%	**69%**
Total expenses	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

On average 31% of the total operating expenses is attributed to depreciation expense which is higher than the state average of 23%. Conargo has the highest at 40% whilst Hay has the lowest at 24%.

National Indicators

The Australian Local Government and Planning Ministers Council's Local Government National Financial Sustainability Frameworks describe indicators (performance measures) as "signals' used to convey directions being taken by a council and to assess whether or not desired outcomes are being achieved.

To be effective, it is essential that indicators:

- Measure those factors which define financial sustainability,
- Be relatively few in number, and
- Be based on information that is readily available".

The performance measures used in this report and noted below use the eight nationally agreed indicators (for the most part replicated in the NSW IP&R framework) and indicate the present position and future direction and need for action and change for each council.

The National Indicators are described as follows:

1. **Operating Surplus Ratio**
   The operating result expressed as a percentage of total operating expense. It provides a measure of the extent to which operating income is sufficient or insufficient to meet the costs of delivering services (i.e. expenses)
2. **Net Financial Liabilities Ratio**
   The significance of the net amount owed by a council compared to its operating income for the period. Where the ratio is falling over time, it indicates the council's capacity to meet its financial obligations from operating income is strengthening.

3. **Asset Sustainability Ratio**
   The ratio of asset replacement expenditure relative to depreciation for a period. It measures whether assets are being renewed at the rate they are wearing out. If the ratio is 100% on average over time, council is ensuring the value of existing infrastructure is maintained. Councils should be replacing assets when they need to be replaced. When asset portfolios are young, this can be 50% or less. When assets are aged and approaching end of life, the ratio may be more than 100%.

4. **Asset Renewal Funding Ratio**
   The ratio of the net present value of asset renewal finance accommodated over a 10 year period in a long-term financial plan relative to the net present value of projected asset capital renewal expenditure identified in an asset management plan for the same period. It assesses the council's financial capacity to fund asset renewal in the future.

5. **Operating Surplus**
   The excess of operating income (excluding capital grants) over operating expenses. If council is not generating an operating break-even result or better on average over the medium term it is unlikely to be operating sustainably. If a council is operating with a significant deficit over several years and its strategic management and long-term financial plan do not provide clear proposals for this to be turned around, then it is inevitable that it will face major financial shocks in the future.

6. **Net Financial Liabilities**
   What is owed to others less money held, invested or owed to the council. The target range should be set having regard for the council's operating surplus ratio and needs identified in the Resourcing Strategy documentation. Council's with significant asset funding needs may find their financial sustainability is improved by raising debt to fund these needs, especially where the operational savings achieved from addressing asset funding needs exceed the additional interest costs resulting from the debt raised.

7. **Interest Cover Ratio**
   The proportion of operating income used to pay interest on loans net of interest income. A council would need to manage this ratio within a range acceptable to it, having regard to its long-term financial sustainability and strategic management plans and financial management policies.

8. **Asset Consumption Ratio**
   The average proportion of 'as new condition' left in assets. If a council is responsibly maintaining and renewing its assets in accordance with a well prepared asset management plan, the fact that its Asset Consumption Ratio may be relatively low and/or declining should not be a cause for concern – providing it is operating sustainably.

Table 15: National Asset & Financial Performance Indicators for each council

Council	Operating Surplus Ratio %	Net Financial Liabilities Ratio %	Asset Sustainability Ratio %	Asset Renewal Funding Ratio %	Operating Surplus ($'000s)	Net Financial Liabilities ($'000s)	Interest Cover Ratio	Asset Consumption Ratio %
Berrigan	-9%	-79%	77%	48%	-$1,483	-$13,588	-4%	62.2%
Conargo	-13%	-115%	142%	99%	-$877	-$7,640	-5%	69.2%
Deniliquin	2%	-51%	45%	5%	$293	-$8,505	-2%	49.7%
Hay	-19%	-40%	115%	53%	-$1,712	-$3,562	-1%	51.1%
Jerilderie	-26%	-53%	71%	47%	-$1,866	-$3,851	-2%	60.8%
Murray	-7%	-58%	82%	73%	-$1,196	-$10,308	-2%	63.9%
Wakool	-11%	-56%	98%	10%	-$1,657	-$8,866	-2%	58.8%
Total	**-9%**	**-62%**	**90%**	**20%**	**-$8,498**	**-$56,320**	**-3%**	**59.4%**

The combined council's net financial liabilities ratio as calculated at the end of 2013/14 is -62% (i.e. expected to have more financial assets than total liabilities). The depreciated replacement cost (written down value) of its infrastructure at the same point was reported to be $891M, this is about 10 times the combined annual operating income less capital grants. The average for all NSW councils in 2012 was 13 times.[6] Councils collectively generated an operating deficit (exclusive of capital revenues) of -$8.5M in 2013/14. An ongoing underlying breakeven or better operating result is key to maintaining financial sustainability.[7]

[6] As per TCorp.

[7] That is the operating result exclusive of capital revenues.

5. ASSET MANAGEMENT IMPROVEMENT PROGRAM & 'FIT FOR THE FUTURE'

JRA proposes an Asset Management Improvement Program the development (and ongoing maintenance) of Integrated Planning & Reporting (IP&R) documentation that demonstrate alignment with the long-term financial plan (LTFP) and communicate risk consequences for aspirational and affordable service levels.

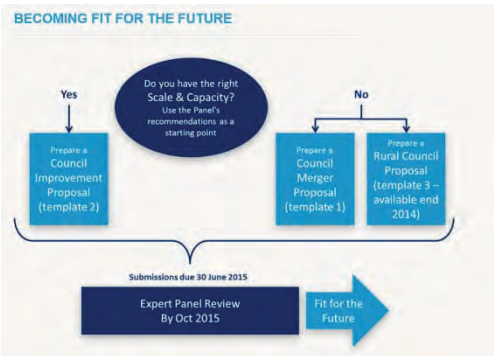
Table 16 below shows the key documents, tasks and reports that are to be reviewed and updated to achieve (and maintain) core maturity under the National Asset Management Framework and the Office of Local Government regulations.

Table 16: Connection between IP&R and Asset Management Improvement Tasks

IP&R Asset Management Documents	***Key Improvement Tasks*** See Appendix A	***Reporting***
Community Strategic Plan	Update LTFP and strategic plan to make clear affordable and aspirational service levels and the corresponding risks.	*End or Term Report - Report on the council' achievements in implementing the Community Strategic Plan over the previous four years.*
10 Year Resourcing Strategy • Long Term Financial Plan • Asset Management Plans • Asset Management Strategy • Asset Management Policy	Annual reporting should include a state of the assets report for condition function and capacity showing current target and affordable service levels and risks. The current reporting implies that council is sustainable and that service level targets can be met.	*Report on the achievements in implementing the Delivery Program and the effectiveness of the principal activities undertaken in achieving the objectives in the Community Strategic Plan at which those activities are directed.*
4 Year Delivery Program	The asset management plans should be used as the source of the 4 year delivery program and be annually reviewed as part of the budget process.	*Annual report and end of Term Report - Report on the council' achievements in implementing the Community Strategic Plan over the previous four years.*
1 Year Operational Plan	Practice Areas = Annual Report, Annual Budget, Data and Systems, Skills and Processes, Reporting	*Report on the achievements in implementing the Delivery Program and the effectiveness of the principal activities undertaken in achieving the objectives in the Community Strategic Plan at which those activities are directed.*

In addition to the IP&R reporting requirements, the NSW Office of Local Government expects councils to submit a proposal by 30 June 2015 outlining how they intend to become 'Fit for the Future'. Each council will be asked to prepare a submission how it will become sustainable, provide effective and efficient services and have the scale and capacity needed to meet the needs of communities and partner with the State.

For councils where the Independent Local Government Review Panel recommended a merger, the council will be expected to address how it will achieve the scale and capacity consistent with the recommendation of the Panel. The council will not have to show how it will meet the other three criteria (financial sustainability, effective services and infrastructure and efficiency) until the new structure is in place. Councils that were not recommended for merger will need to demonstrate how they plan to meet the other three criteria.



6. IMPROVEMENT PROGRAM KEY MILESTONES

Table 17: Connection between Asset Management Plan and Key Reporting Milestones

IP&R Project Plan Key Project Components	Manager Responsible	Key Milestones for Achieving and Retaining Core Maturity			
		Feb – July 2015	July to Dec 2015	Jan 2016 to Sept 2016	Post Sept 2016
1. ***Review and update community strategic plan***		*Ensure CSP aligns with resourcing strategy. Additional scenarios may be needed to balance LTFP resources to achievable service targets. Update asset values as part of roads and drainage revaluation. Update AMPs and SS7 reporting following revaluation.*	*Finalise integration between CSP and resourcing strategy and service level targets.*	*Outgoing Council reports progress made during their Council term*	*New Council adopts updated CSP that meets IP&R legislative requirements.*
2. Resourcing Strategy development and coordination		*Complete draft resourcing strategy that balances LTFP with AM Plans. AM strategy outlines risks of current maturity as well as service levels that can be achieved by resourcing strategy.*	*Council Adopts 2015 Resourcing Strategy based on asset management plan (AMP).*	*Annual report on delivery program and resourcing strategy based on asset management plan.*	*New Council reviews the Council's Resourcing Strategy and community consultation strategy.*
3. Fit for the Future Reporting		*Submit a proposal by 30 June 2015 outlining how Council intends to become Fit for the Future. Complete Office of Local Government's assessment template and improvement plan template based on updated AM Plans that integrate with LTFP.*	*Implement improvement plan*		

7. KEY GOVERNANCE STRATEGIES FOR EFFECTIVE ASSET MANAGEMENT

The following key strategies are an amalgamation of improvement actions identified during the assessment.

Key Strategy 1
Update asset registers as part of revaluation for roads and drainage. This is a foundational requirement whether or not amalgamation occurs so that all Councils are reporting on a consistent basis.

Key Strategy 2
Implement a regional co-ordination group to enable consistency and efficiencies for asset management tasks. http://www.datashare.net.au/ provides an example of how Councils can achieve a common approach to useful lives, unit costs and Special Schedule 7 reporting.

Key Strategy 3
Apply adequate resources to update asset management plans, annual reports, resourcing strategy, delivery program and sustainability reporting under SS7.

Key Strategy 4
Ensure there is at least one scenario that models current service levels and one that shows affordable service levels and risks based on what is affordable under the current Long-Term Financial Plan (LTFP).

Key Strategy 5
Consider the ongoing ownership costs of new capital works proposals in budget deliberations and ensure all future asset related costs are included in the asset management plan projections for both existing and proposed assets for the next 10 years. This will ensure the LTFP forward financing model balances to the AM Plan projections and corresponding service level provision and risk consequences.

Key Strategy 6
Develop a Risk Management Plan for all asset classes to demonstrate risks are being managed and any high to very high residual risks are reported to council via the Audit Committee or its equivalent. This process forms the basis of Special Schedule 7 reporting.

Key Strategy 7
Annually review the completeness and accuracy of the asset register ensuring it is materially accurate.[8]

Key Strategy 8
Use a knowledge management strategy to ensure appropriate and optimal decision support mechanisms are in place to inform council of cumulative consequences of decisions.

Key Strategy 9
Review the Asset Accounting and Capitalisation Policy annually to ensure asset accounting processes are consistent with Fair Value Reporting (AASB116) as outlined in the Australian Infrastructure Financial Management Guidelines (AIFMG).

Key Strategy 10
Ensure the Long-Term Financial Plan includes at least one scenario that communicates the necessary resources for sustainable renewal of infrastructure and incorporates all asset life cycle costs (Scenario 2 – NAMS.PLUS).

Key Strategy 11
Continue to improve the information on the relationship between service levels and cost so that future community consultation will be well informed of the benefits, risks and costs of the strategic longer term plan.

Key Strategy 12
Review the maturity assessment annually to ensure core maturity is achieved and maintained.

[8] AASB 1031 Materiality, see also AIFMG, IPWEA 2010.

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NSW Division of Local Government, Department of Premier and Cabinet, 2013, 'Local Government Infrastructure Audit', Nowra, NSW, http://www.olg.nsw.gov.au/sites/default/files/LIRSAudit-Report-June-2013.pdf

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Berrigan Shire Council, 2014, 'Financial Statements'

Conargo Shire Council, 2014, 'Financial Statements'

Deniliquin Council, 2014, 'Financial Statements'

Hay Shire Council, 2014, 'Financial Statements'

Jerilderie Shire Council, 2014, 'Financial Statements'

Murray Shire Council, 2014, 'Financial Statements'

The Council of the Shire of Wakool, 2014, 'Financial Statements'

APPENDICES

Appendix A – Summary table

	Berrigan	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool	Total
Replacement Cost($M)	$ 267,696,000	$ 145,932,000	$ 261,117,000	$ 130,448,000	$ 107,915,000	$ 264,487,000	$ 328,028,000	$ 1,505,623,000
Depreciated Replacement Cost($M)	$ 166,615,000	$ 100,922,000	$ 129,664,000	$ 66,610,000	$ 65,575,000	$ 169,000,000	$ 193,002,000	$ 891,388,000
Annual Depreciation Expense($M)	$ 4,445,000	$ 2,695,000	$ 3,693,000	$ 1,988,000	$ 2,135,000	$ 5,332,000	$ 5,741,000	$ 26,029,000
SS7 Cost to bring to satisfactory	$ 3,625,000	$ 45,000	$ 28,871,000	$ 2,000,000	$ 1,673,000	$ 1,640,000	$ 51,440,000	$ 89,294,000
Maintenance Gap ($)	$ 6,000	-$ 477,000	$ 1,483,000	$ 683,000	-$ 898,000	-$ 69,000	-$ 39,000	$ 689,000
NSoASealed Roads% PVP Condition	$ 8,346,450	$ 23,636,640	$ 12,825,021	$ 2,045,050	$ -	$ 5,851,100	$ 26,659,470	$ 79,363,731
NSoAUnSealed Roads% PVP Condition	$ 4,579,500	$ 1,034,152	$ 6,135,995	$ 1,927,100	$ 1,484,300	$ 456,000	$ 2,672,570	$ 18,289,617
NSoAConcrete Bridges% PVP Condition	$ 4,502,400	$ 223,200	$ -	$ -	$ -	$ -	$ 653,060	$ 5,378,660
NSoATimber Bridges% PVP Condition	$ -	$ -	$ -	$ 2,002,600	$ -	$ 601,000	$ 4,346,500	$ 6,950,100
Total value in Poor to Very Poor Condition	$ 17,428,350	$ 24,893,992	$ 18,961,016	$ 5,974,750	$ 1,484,300	$ 6,908,100	$ 34,331,600	$ 109,982,108
Operating Surplus Ratio	-9%	-13%	2%	-19%	-26%	-7%	-11%	-9%
Net Financial Liabilities Ratio	-79%	-115%	-51%	-40%	-53%	-58%	-56%	-62%
Asset Sustainability Ratio(Renewal Exp/Dep)	77%	142%	45%	115%	71%	82%	98%	90%
Operating Result after Capital Grants($)	-$ 1,483,000	-$ 877,000	$ 293,000	-$ 1,712,000	-$ 1,866,000	-$ 1,196,000	-$ 1,657,000	-$ 8,498,000
Net Financial Liabilities	-$ 13,588,000	-$ 7,640,000	-$ 8,505,000	-$ 8,505,000	-$ 3,851,000	-$ 10,308,000	-$ 8,866,000	-$ 61,263,000
Interest Cover Ratio	-4%	-5%	-2%	-1%	-2%	-2%	-2%	-3%
Asset Consumption Ratio(DRC/CRC)	62%	69%	50%	51%	61%	64%	59%	59%
Borrowings	$ 354,000	$ -	$ 4,890,000	$ 1,852,000	$ 614,000	$ 2,353,000	$ 2,353,000	$ 12,416,000
Financial Assets	$ 17,648,000	$ 8,897,000	$ 16,552,000	$ 7,569,000	$ 7,444,000	$ 16,180,000	$ 17,244,000	$ 91,534,000
Total Equity	$ 200,891,000	$ 134,697,000	$ 148,408,000	$ 76,310,000	$ 104,667,000	$ 338,074,000	$ 284,413,000	$ 1,287,460,000

Appendix B - Supporting data

Can be requested from JRA Head Office:

Phone: 02 4751 7657
Email: jrajra@bigpond.com
Website: www.jr.net.au
Office: 717 Paterson Road, Springwood NSW 2777
Postal: PO Box 717, Springwood NSW 2777

GLOSSARY

Annual service cost (ASC)
An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operating, maintenance, depreciation, finance/ opportunity and disposal costs, less revenue.

Asset class
Grouping of assets of a similar nature and use in an entity's operations (AASB 166.37).

Asset condition assessment
The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset management
The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Asset Management Plan
Each council must prepare an Asset Management Strategy and Asset Management Plan/s to support the Community Strategic Plan and Delivery Program.
The Asset Management Strategy and Plan/s must be for a minimum timeframe of 10 years.

Asset Management Strategy **
The Asset Management Strategy must include a council endorsed Asset Management Policy. The Asset Management Strategy must identify assets that are critical to the council's operations and outline risk management strategies for these assets. The Asset Management Strategy must include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.

Assets
Future economic benefits controlled by the entity as a result of past transactions or other past events (AAS27.12). Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 month.

Average annual asset consumption (AAAC)
The amount of a local government's asset base consumed during a year. This may be calculated by dividing the Depreciable Amount (DA) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Depreciated Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.

Capital expansion expenditure
Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretional expenditure, which increases future operating, and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure
Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital funding
Funding to pay for capital expenditure.

Capital grants
Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

Capital investment expenditure
See capital expenditure definition

Capital new expenditure
Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital renewal expenditure
Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital upgrade expenditure
Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretional and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Class of assets
See asset class definition

Component

An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.

Cost of an asset
The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.

Current replacement cost (CRC)
The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Current replacement cost "As New" (CRC)
The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values.

Cyclic Maintenance
Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, cycle, replacement of air conditioning equipment, etc. This work generally falls below the capital/ maintenance threshold and needs to be identified in a specific maintenance budget allocation

Strategic Plan **
The Strategic Plan to be for at least 5 years (preferably 10 years and:

- Reflects the needs of the community for the foreseeable future
- Brings together detailed requirements such as an AM Plan and Long Term Financial Plan
- Details what council expects to do in the longer term
- Demonstrated how councils intends to resource the plan
- Is prepared with community consultation

Long term works programme**
The Forward Works Programme must directly address the objectives and strategies of the Community Strategic Plan and identify principal activities that council will undertake in response to the objectives and strategies.

- The Forward Works Programme must inform, and be informed by, the Strategy and Planning Documents.
- The Forward Works Programme must address the full range of council operations.
- The Forward Works Programme must allocate high level responsibilities for each action or set of actions.
- Financial estimates for the four year period must be included in the Delivery Program.

Depreciable amount
The cost of an asset, or other amount substituted for its cost, less its residual value (AASB 116.6)

Depreciated replacement cost (DRC)
The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset

Depreciation / amortisation
The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Economic life
See useful life definition.

Expenditure
The spending of money on goods and services. Expenditure includes recurrent and capital.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

Greenfield asset values
Asset (re)valuation values based on the cost to initially acquire the asset.

Heritage asset
An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

Infrastructure assets
Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycle ways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no market value.

Knowledge Management Strategy **
Knowledge Management provides the systems, processes and information necessary to understand and communicate the cumulative consequences of decisions. A knowledge management strategy communicates the current level of knowledge management and a strategy for improving the capability to make wise informed choices taking into account benefits, costs and risk.

Level of service
The defined service quality for a particular service against which service performance may be measured. Service

levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost).

Life Cycle Cost
The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Life Cycle Expenditure
The Life Cycle Expenditure (LCE) is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle Expenditure may be compared to Life Cycle Expenditure to give an initial indicator of life cycle sustainability.

Loans / borrowings
Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in 'spreading the burden' of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).

Long Term Financial Plan**
The long term financial plan (LTFP) provides a 10 year forward projection of financial resources and includes:

- Planning assumptions used to develop the Plan
- Sensitivity analysis - highlights factors/assumptions most likely to affect the Plan
- Financial modelling for different scenarios e.g. planned/optimistic/conservative
- Methods of monitoring financial performance.

Maintenance and renewal gap
Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (e.g. 5, 10 and 15 years).

Maintenance and renewal sustainability index
Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15 years).

Maintenance expenditure
Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Materiality[9]
The notion of materiality guides the acceptable margin of error, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or nondisclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or governing body of the entity.

Modern equivalent asset.
A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

National Asset Management Framework
In 2009, the Local Government and Planning Ministers' Council established the Local Government Reform Fund The Fund was established by the Prime Minister in June 2009. The purpose of the fund is to accelerate implementation of asset and financial management frameworks; to encourage collaboration in the local government sector to build capacity and resilience; and to assist in improving the collection and analysis of nationally consistent data on local assets and finances.
The Local Government Reform Fund aims to:
•support the accelerated implementation of the Nationally Consistent Frameworks for local government asset and financial management, as agreed by the Local Government and Planning Ministers' Council in 2009;
•encourage collaboration in the local government sector to build capacity and resilience; and
•improve the collection and analysis of nationally consistent data on local government assets and finances.[10]
The 3 Nationally Consistent frameworks can be downloaded from
http://www.lgpmcouncil.gov.au/publications/sus_framework.aspx
The national partnership agreement can be downloaded from
http://www.federalfinancialrelations.gov.au/content/national_partnership_agreements/Other/local_government/national_partnership.pdf

Non-revenue generating investments
Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the council, e.g. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

Operating expenditure
Recurrent expenditure, which is continuously required excluding maintenance and depreciation, e.g. power, fuel, staff, plant equipment, on-costs and overheads.

Planned Maintenance

[9] *IPWEA, 2009, AIFMG Page xxxviii*

[10] http://www.regional.gov.au/local/LGRF.aspx Australian Government Department of Regional Australia, Local Government, Arts and Sport, 1 Dec 2011

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Rate of annual asset consumption
A measure of average annual consumption of assets (AAAC) expressed as a percentage of the depreciable amount (AAAC/DA). Depreciation may be used for AAAC.

Rate of annual asset renewal
A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade
A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

Reactive maintenance
Unplanned repair work that carried out in response to service requests and management/supervisory directions.

Recoverable amount
The higher of an asset's fair value, less costs to sell and its value in use.

Recurrent expenditure
Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operating and maintenance expenditure.

Recurrent funding
Funding to pay for recurrent expenditure.

Rehabilitation
See capital renewal expenditure definition above.

Remaining life
The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life.

Renewal
See capital renewal expenditure definition above.

Residual value
The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Strategy and Planning Documents**
The Community Strategic Plan provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources – time, money, assets and people – to actually carry them out. The Strategy and Planning Documents consists of three components:

1. Long Term Financial Planning
2. Workforce Management Planning
3. Asset Management Planning.

The Strategy and Planning Documents is the point where Council assists the community by sorting out who is responsible for what, in terms of the issues identified in the Community Strategic Plan. Some issues will clearly be the responsibility of Council, some will be the responsibility of other levels of government and some will rely on input from community groups or individuals. The Strategy and Planning Documents focuses in detail on matters that are the responsibility of the council and looks generally at matters that are the responsibility of others.

Revenue generating investments
Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, e.g. public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

Risk management
The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Section or segment
A self-contained part or piece of an infrastructure asset.

Service potential
The capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume and quantity to the beneficiaries thereof.

Service potential remaining
A measure of the remaining life of assets expressed as a percentage of economic life. It is also a measure of the percentage of the asset's potential to provide services that are still available for use in providing services (DRC/DA).

Sub-component
Smaller individual parts that make up a component part.

Useful life
Either:
(a) the period over which an asset is expected to be available for use by an entity, or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council. It is the same as the economic life.

Value in Use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if

deprived of the asset its future economic benefits would be replaced.

Source: IPWEA NAMS.PLUS Asset Management Plan Glossary. Additional items shown **

10. Appendix II – Financial Analysis of Selected Councils

Prepared by Graham Bradley of Auswild & Co, January 2015.

FINANCIAL ANALYSIS OF SELECTED COUNCILS

BERRIGAN SHIRE COUNCIL

CONARGO SHIRE COUNCIL

DENILIQUIN COUNCIL

HAY SHIRE COUNCIL

JERILDERIE SHIRE COUNCIL

MURRAY SHIRE COUNCIL

WAKOOL SHIRE COUNCIL

Prepared by Graham Bradley for Conargo Shire Council

January 2015

CONTENTS **Page**

SUMMARY

Conargo Shire Council has requested Auswild & Co to conduct a detailed financial analysis of the following Councils:

- Berrigan Shire Council
- Conargo Shire Council
- Deniliquin Council
- Hay Shire Council
- Jerilderie Shire Council
- Murray Shire Council
- Wakool Shire Council

We understand that this request has been made by the Conargo Shire Council to assist in their deliberations as directed by the Office of Local Government under the Fit for the Future Program.

Whilst we have gained a detailed knowledge of both the Conargo and Murray Shire Councils through our position as auditor, our analysis of the financial position of the other Councils was limited to a review of their financial statements for 2012/2013 and 2013/2014. Consequently, we have made a number of assumptions and predictions which may be questionable and need further clarification. Additionally, we have not attempted to access the condition of Councils infrastructure other than the information disclosed in Note 9. It is our strong recommendation that this task be undertaken by an asset management expert and used in conjunction with our report when determining future directions for Conargo Shire Council.

In conducting our financial analysis we focused our attention on what we consider to be the primary indicators of a Councils financial health, namely:

Operating Surplus/(Deficit) before Capital Movements

We adjusted the operating surpluses for 2013/2014 to reflect the reduced financial assistance grants received due to the Government decision to realign the grants to the year to which they relate.

In our opinion, it is imperative that Councils are able to report a sustainable operating surplus before capital movements and we consider that the following Councils are well position to achieve this:

- Conargo Shire Council
- Deniliquin Council
- Murray Council

For reasons enunciated in the individual reports we are not confident of the other Councils ability to report future operating surpluses.

Importantly, we note the impact of depreciation expenses on the operating result and our analysis revealed that such expenses as a percentage of total operating expenses varied considerably between Councils from a low of 24% at Hay to a high of 40% at Conargo as detailed.

SUMMARY (CONT.)

Conargo Shire Council	40%
Wakool Shire Council	37%
Murray Shire Council	31%
Berrigan Shire Council	29%
Jerilderie Shire Council	29%
Deniliquin Shire Council	27%
Hay Shire Council	24%

Internally & Unrestricted Cash & Investments

Councils ability to fund its future operations without resorting to significant increases in borrowings is probably the greatest challenge confronting local government instrumentalities.

In our opinion, very few Councils in NSW have restricted sufficient funds to properly fund future infrastructure replacement and renewal. The following is our assessment of the Councils internally and unrestricted cash position with position 1 being the best prepared.

1. Conargo Shire Council
2. Murray Shire Council
3. Wakool Shire Council
4. Jerilderie Shire Council
5. Berrigan Shire Council
6. Deniliquin Council
7. Hay Shire Council

Infrastructure, Property, Plant & Equipment

As earlier reported we have not attempted to access the condition of Councils infrastructure other than the information disclosed in Note 9. Importantly however, we did vouch depreciation expenses to access whether Councils were being consistent in their treatment (refer above).

In our opinion, we rate the Councils infrastructure condition as follows with position 1 being the best conditioned.

1. Murray Shire Council
2. Conargo Shire Council
3. Jerilderie Shire Council
4. Wakool Shire Council
5. Berrigan Shire Council
6. Hay Shire Council
7. Deniliquin Council

SUMMARY (CONT.)

Loans

In reviewing Councils loan borrowings we not only assessed their level of debt but also their perceived ability to service the debt commitment. In our opinion only the following Councils had manageable borrowings.

Conargo Shire Council
Murray Shire Council
Deniliquin Council

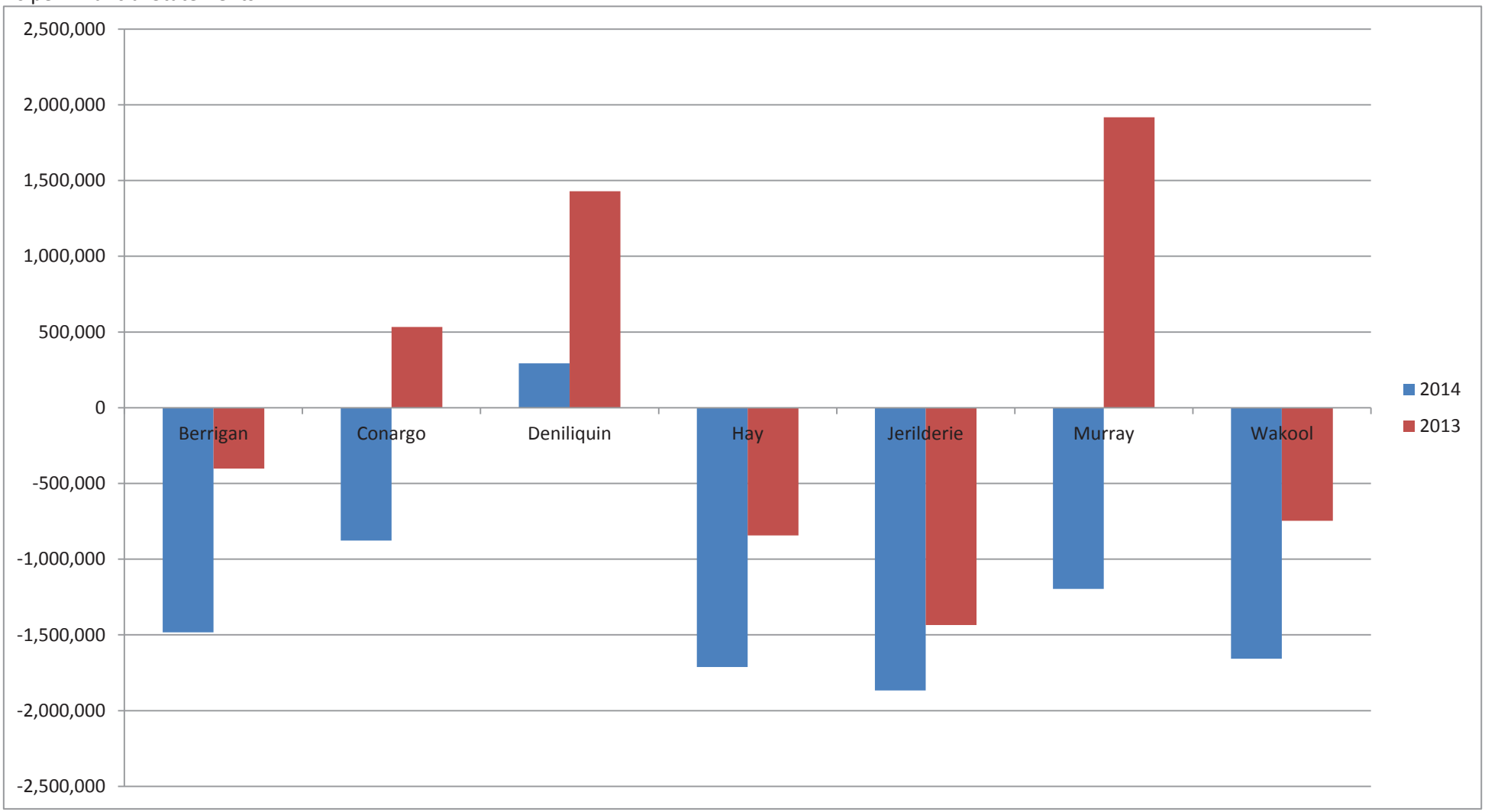
Please contact me if further information or explanations are required and I confirm that I will be attending your Council meeting on Thursday 19th February to present and address my report.

Yours faithfully,
AUSWILD & CO

Graham Bradley

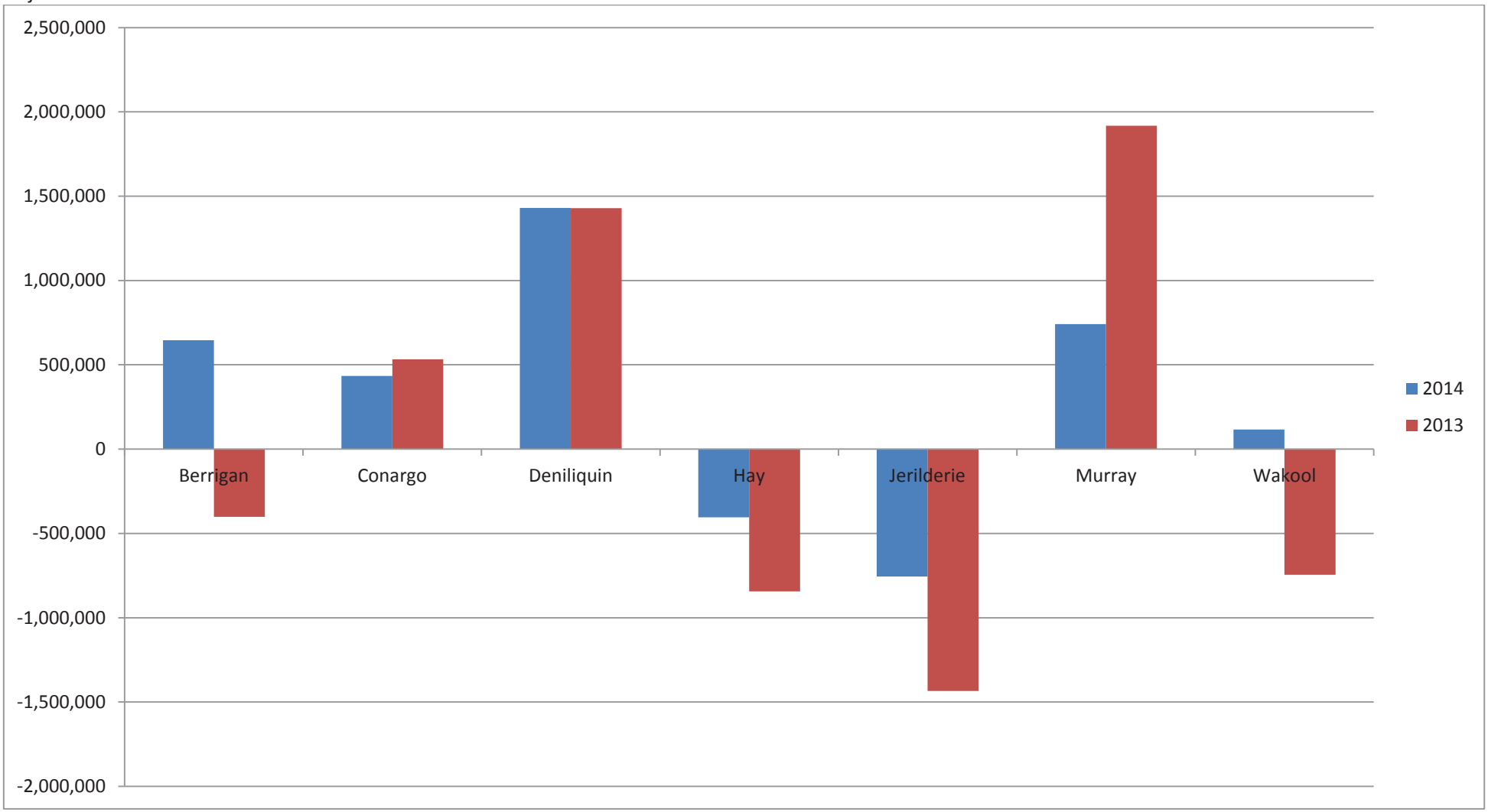
Operating Result before Capital Movements

As per Financial Statements



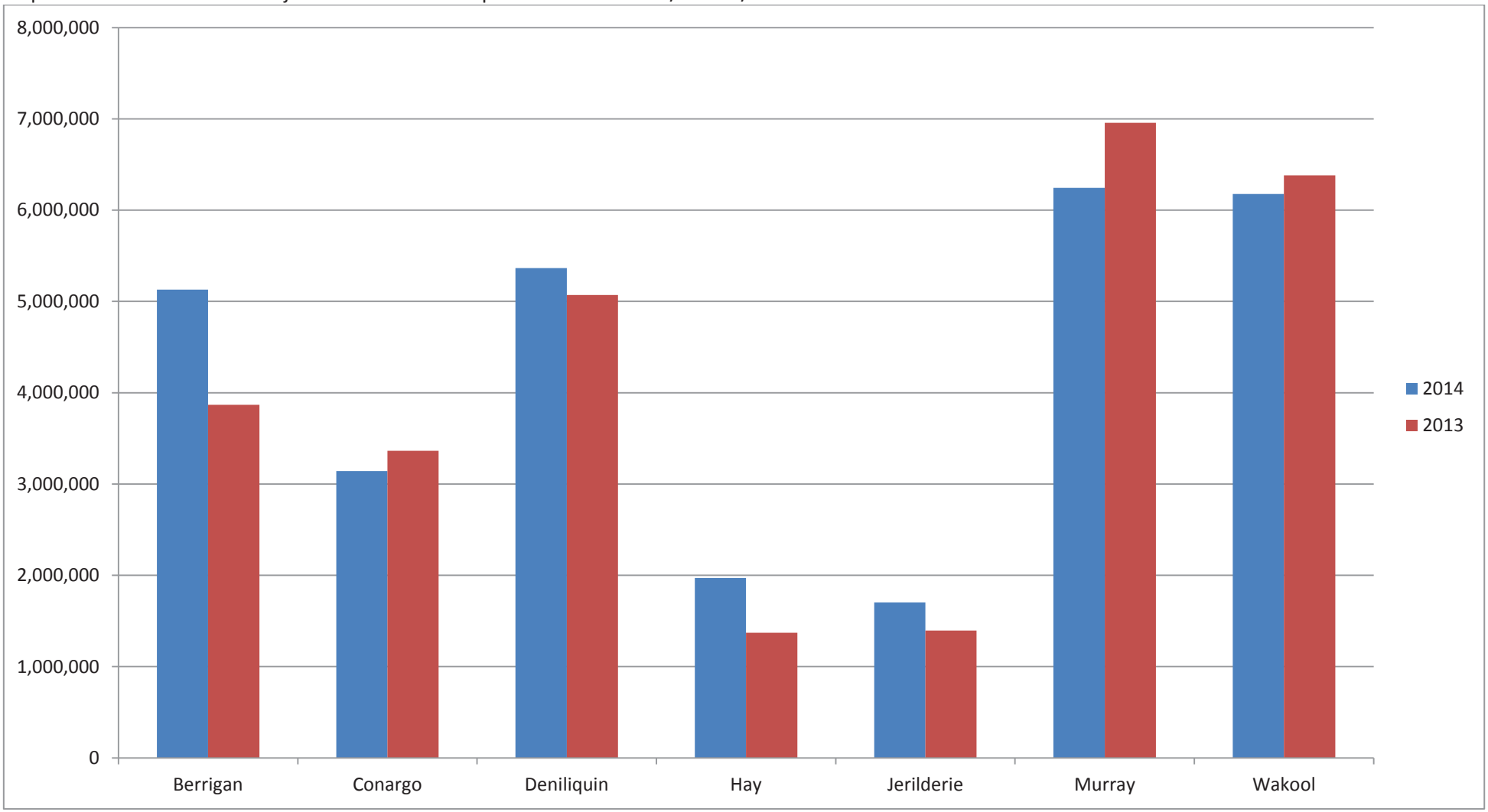
Operating Result before Capital Movements

Adjusted for FAG instalments

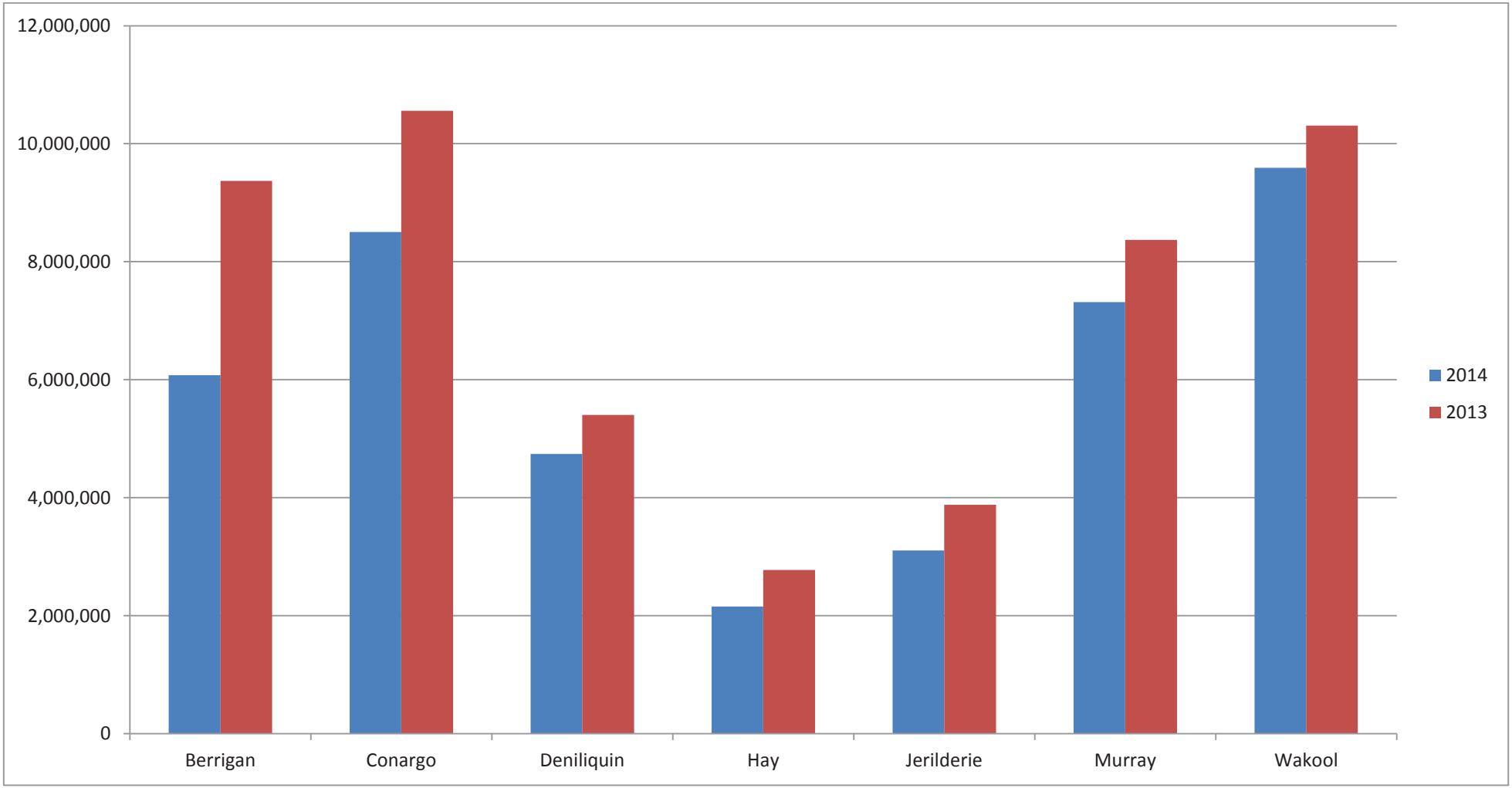


Operating Result before Capital Movements

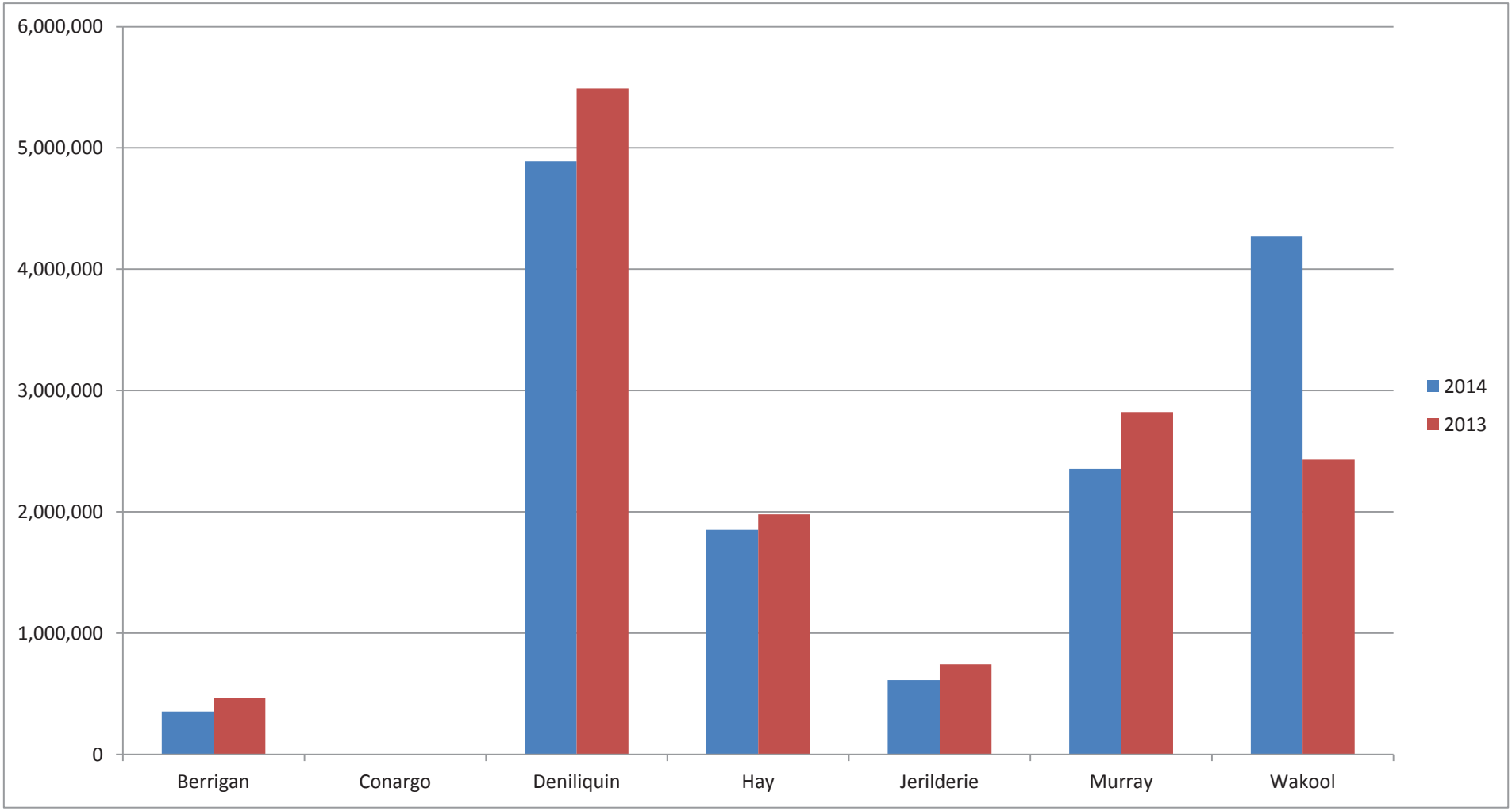
As per Financial Statements adjusted for + FAG + Depn – interest rec'd +/- Gains/Losses



Internal & Unrestricted Reserves



Loans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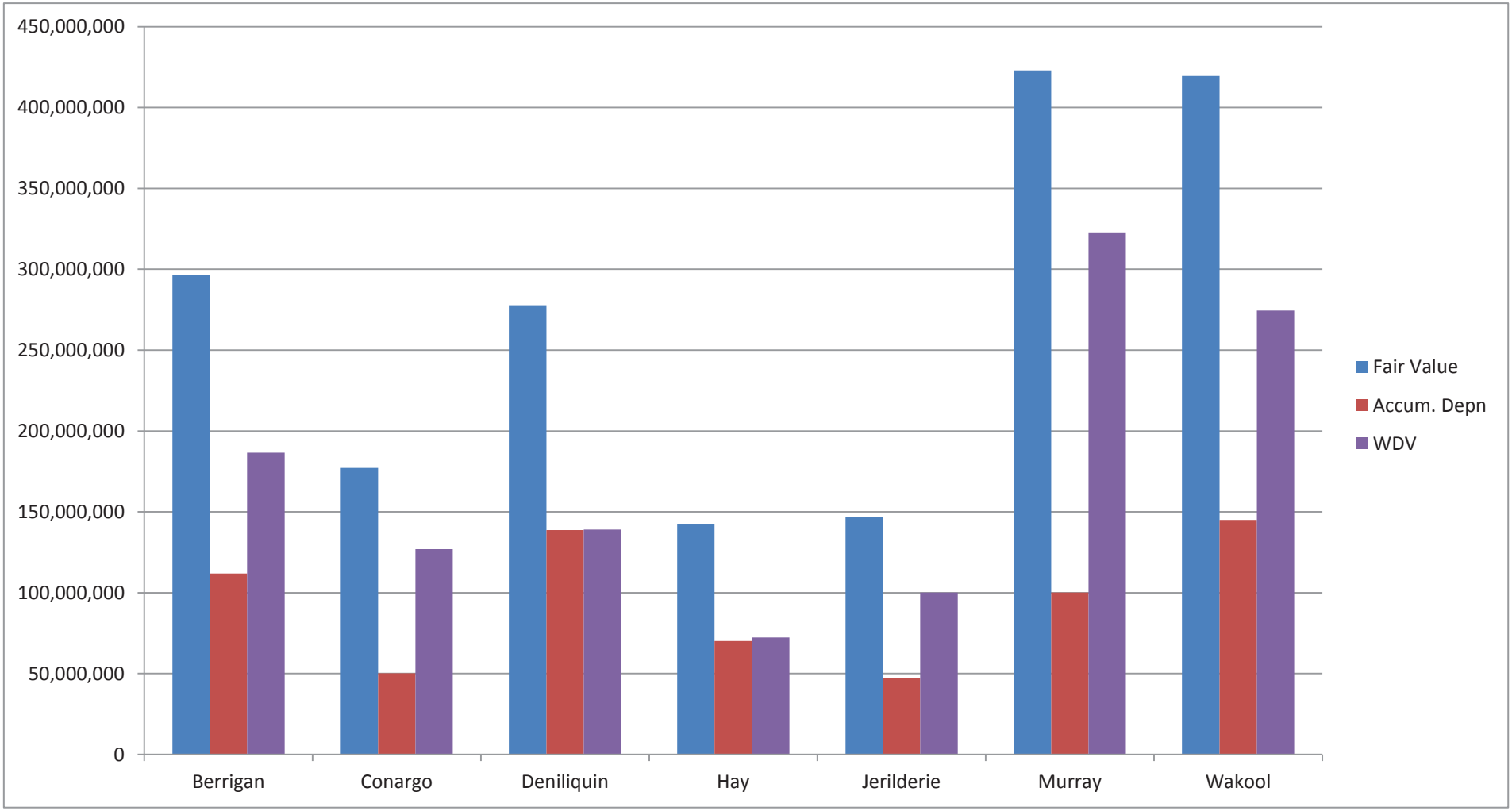
Infrastructure, Property, Plant & Equipment



Key Financial Data

2013/2014	Berrigan $	Conargo	Deniliquin	Hay	Jerilderie	Murray	Wakool
Operating Result (before Capital amounts)	(1,483,000)	(877,000)	293,000	(1,712,000)	(1,866,000)	(1,196,000)	(1,657,000)
Operating Result (adjusted for FAG) *	646,000	434,000	1,430,000	(404,000)	(756,000)	742,000	116,000
Operating Result adjusted for: + FAG & Depreciation expenses & loss on sale – gains on sale & interest received	5,130,000	3,141,000	5,365,000	1,970,000	1,703,000	6,245,000	6,174,000
Internally & Unrestricted Cash & Investments	6,078,000	8,502,000	4,743,000	2,157,000	3,105,000	7,316,000	9,590,000
Depreciation (% of total Operating Expenses)	5,405,000 (29%)	2,986,000 (40%)	4,407,000 (27%)	2,574,000 (24%)	2,632,000 (29%)	6,016,000 (31%)	6,475,000 (37%)
Loans	354,000	Nil	4,890,000	1,852,000	614,000	2,353,000	4,268,000

* Assumption: The FAG grant received in 2013/2014 represents 50% of normal allocation

Key Financial Data (cont.)

Operating Results 2013/2014

Council	Operating Result $	FAG Adjustment $ (B)	Adjusted Operating Result $	Depreciation $	Interest Rec'd $	Gains/Losses $	Abnormals $	Total $
Berrigan	(1,483,000)	2,129,000	646,000	5,405,000	740,000	181,000	A	5,130,000
Conargo	(877,000)	1,311,000	434,000	2,986,000	360,000	(81,000)	A	3,141,000
Deniliquin	293,000	1,137,000	1,430,000	4,407,000	566,000	(94,000)	A	5,365,000
Hay	(1,712,000)	1,308,000	(404,000)	2,574,000	227,000	(27,000)	A	1,970,000
Jerilderie	(1,866,000)	1,110,000	(756,000)	2,632,000	248,000	(75,000)	A	1,703,000
Murray	(1,196,000)	1,938,000	742,000	6,016,000	633,000	(120,000)	A	6,245,000
Wakool	(1,657,000)	1,773,000	116,000	6,475,000	675,000	(258,000)	A	6,174,000

A Assumed no abnormal items
B Assumption: The FAG grant received in 2013/2014 represents 50% of normal allocation
C Unquantifiable asset write off

Operating Results 2012/2013

Council	Operating Result $	FAG Adjustment $	Adjusted Operating Result $	Depreciation $	Interest Rec'd $	Gains/Losses $	Abnormals $	Total $
Berrigan	(402,000)	Nil	(402,000)	5,169,000	825,000	74,000	A	3,868,000
Conargo	533,000	Nil	533,000	3,306,000	456,000	20,000	A	3,363,000
Deniliquin	1,429,000	Nil	1,429,000	4,191,000	770,000	(220,000)	A	5,070,000
Hay	(844,000)	Nil	(844,000)	2,582,000	259,000	108,000	A	1,371,000
Jerilderie	(1,435,000)	Nil	(1,435,000)	2,829,000	280,000	(280,000)	A	1,394,000
Murray	1,917,000	Nil	1,917,000	5,753,000	710,000	3,000	A	6,957,000
Wakool	(746,000)	Nil	(746,000)	6,780,000	722,000	(1,069,000)	C	6,381,000

Key Financial Data (cont.)

Operating Results 2013/2014
By Fund adjusted for FAG

Council	Operating Result General Fund $	Operating Result Water Fund $	Operating Result Sewerage Fund $	Total $
Berrigan	(1,000)	606,000	41,000	646,000
Conargo	434,000	N/A	N/A	434,000
Deniliquin	747,000	(84,000)	767,000	1,430,000
Hay	(480,000)	(58,000)	134,000	(404,000)
Jerilderie	(857,000)	9,000	92,000	(756,000)
Murray	14,000	504,000	224,000	742,000
Wakool	181,000	(49,000)	(16,000)	116,000

Key Financial Data (cont.)

Reserves (Unrestricted)

Council	2014 $	2013 $	Real Estate $
Berrigan	6,078,000	9,368,000	314,000
Conargo	8,502,000	10,559,000	Nil
Deniliquin	4,743,000	5,401,000	Nil
Hay	2,157,000	2,774,000	136,000
Jerilderie	3,105,000	3,878,000	116,000
Murray	7,316,000	8,370,000	4,518,000
Wakool	9,590,000	10,309,000	291,000

Loans

Council	2014 $	2013 $
Berrigan	354,000	465,000
Conargo	Nil	Nil
Deniliquin	4,890,000	5,491,000
Hay	1,852,000	1,980,000
Jerilderie	614,000	743,000
Murray	2,353,000	2,823,000
Wakool	4,268,000	2,429,000

Infrastructure, Property, Plant & Equip.

Council	Fair Value $	Accum. Depreciation $	WDV $	% Depreciated $
Berrigan	296,304,000	111,952,000	186,526,000	38%
Conargo	177,214,000	50,229,000	126,985,000	28%
Deniliquin	277,764,000	138,795,000	138,969,000	50%
Hay	142,576,000	70,165,000	72,411,000	49%
Jerilderie	146,853,000	47,109,000	100,160,000	32%
Murray	423,001,000	100,147,000	322,854,000	24%
Wakool	419,451,000	144,993,000	274,458,000	35%

Depreciation

Council	2014 $	2013 $
Berrigan	5,405,000	5,169,000
Conargo	2,986,000	3,306,000
Deniliquin	4,407,000	4,191,000
Hay	2,574,000	2,582,000
Jerilderie	2,632,000	2,829,000
Murray	6,016,000	5,753,000
Wakool	6,475,000	6,780,000

BERRIGAN SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,483,000)	(402,000)
Operating Result (adjusted for FAG)	646,000	(402,000)
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	5,130,000	3,868,000
Internally & Unrestricted Cash & Investments	6,078,000	9,368,000
Depreciation (% of total Operating Expenses)	5,405,000 (29%)	5,169,000 (28%)
Loans	354,000	465,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $646,000 (2013 - deficit of $402,000).

Depreciation expenses amounted to $5,405,000 and represented approx. 29% of total operating expenses. Roads depreciation expense ($2,060,000) accounted for 38% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result:

- Sewerage charges increased 24% in 2013/2014 to $1.62 million
- Interest received amounted to $740,000 (2013 $825,000)
- Sale of High Security Water amounted to $201,000 (2013 $166,000)
- Gains from the disposal of assets amounted to $181,000 (2013 $74,000)
- Consumption of raw materials & consumables amounted to $3.62 million (2013 $4.55 million)

Berrigan Shire Council appears heavily reliant on non-core income, namely interest on investments, assets disposals and sales of high security water to achieve an operating surplus. These factors together with a substantial reduction in raw materials and consumables have combined to significantly improve Berrigan Shire's operating result in 2013/2014. We express concerns about Council's heavy reliance and future sustainability of these income and expenditure items to achieve an operating surplus.

Additionally, we note that both the Water & Sewerage Funds report satisfactory operating surpluses for 2013/2014 of $606,000 and $41,000 respectively and consequently the General Fund (after adjustment for FAG) is reporting a break even result.

BERRIGAN SHIRE COUNCIL (CONT.)

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $6,078,000 (2013 $9,368,000) whilst reserves in the water & sewerage funds amounted to $4,252,000 and $4,304,000 respectively.

We note that Council also held real estate (available for sale) of $314,000

Infrastructure, Property, Plant & Equipment

Berrigan Shire Council's infrastructure has been depreciated 38% to a written down value of $186.53 million. After adjustments for roads, water & sewerage assets, accumulated depreciation amounts to $42.94 million. There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries minimal debt of $354,000 (2013 $465,000). All the debt attaches to the Water Fund and consequently both the General and Sewerage funds are debt free.

Ratio's

The three main ratio's remain satisfactory, namely:

	2014	**2013**
Unrestricted	4.05	3.49
Debt Service	26.03	33.55
Rates O/S	5.05	5.44

CONARGO SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(877,000)	533,000
Operating Result (adjusted for FAG)	434,000	533,000
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	3,141,000	3,363,000
Internally & Unrestricted Cash & Investments	8,502,000	10,559,000
Depreciation (% of total Operating Expenses)	2,986,000 (40%)	3,306,000 (43%)
Loans	Nil	Nil

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $434,000 (2013 surplus of $533,000).

Depreciation expenses amounted to $2,986,000 (2013 $3,306,000) and represented approx. 40% of total operating expenses. Roads depreciation expense ($2,346,000) accounted for 69% of total depreciation. We note that Conargo Shire has considerably higher depreciation expenses than all other Councils reviewed in this report.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Interest received amounted to $360,000 (2013 $456,000)
- Private works income amounted to $186,000 (2013 $486,000)
- Losses from the disposal of assets amounted to $81,000 (2013 gain $20,000)
- Bad Debt write offs amounted to $45,000 (2013 $Nil)

Conargo Shire Council has an enviable record of consistently reporting operating surpluses before capital amounts. This has continued in 2013/2014 (after adjustment for FAG) and has been achieved after allowing for significant deprecation expenses and without undue reliance on income from non-core activities.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $8,502,000 (2013 $10,559,000).

There are no Water and Sewerage funds.

We note that Council did not hold any real estate (available for sale).

CONARGO SHIRE COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Conargo Shire Council's infrastructure has been depreciated 28% to a written down value of $126.99 million. After adjustments for road assets accumulated depreciation amounts to $15.61 million.

There is therefore only a minimal and acceptable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council has remained debt free for some considerable time and does not anticipate any future borrowings.

Ratio's

The three main ratio's remain sound, namely:

	2014	**2013**
Unrestricted	15.79	19.43
Debt Service	0.00	0.00
Rates O/S	8.87	11.99

DENILIQUIN COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	293,000	1,429,000
Operating Result (adjusted for FAG)	1,430,000	1,429,000
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	5,365,000	5,070,000
Internally & Unrestricted Cash & Investments	4,743,000	5,401,000
Depreciation (% of total Operating Expenses)	4,407,000 (27%)	4,191,000 (26%)
Loans	4,890,000	5,491,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $1,430,000 (2013 surplus of $1,429,000).

Depreciation expenses amounted to $4,407,000 and represented approx. 27% of total operating expenses. Roads depreciation expense ($1,284,000) accounted for 29% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Water charges decreased 14.5% in 2013/2014 to $1.33 million
- Interest received amounted to $563,000 (2013 $492,000)
- Private Works & RMS income amounted to $1.28 million (2013 $604,000)
- Losses from the disposal of assets amounted to $94,000 (2013 $220,000)
- Interest on loans amounted to $274,000 (2013 $521,000)
- Consumption of raw materials & consumables amounted to $2.80 million (2013 $2.99 million)

Deniliquin Council is one of the few Councils to report an operating surplus before capital amounts in 2013/2014. After the adjustment for FAG's the operating result has improved to a commendable $1.43 million. Depreciation expenses appear reasonable (based on industry comparison) and Council is not reliant on non-core income to achieve an operating surplus.

Additionally, we note that the Water Fund has reported a small deficit ($84,000) whilst the Sewerage Fund has reported an operating surplus of $767,000. Consequently the General Fund (after adjustment for FAG) has reported a surplus of $747,000.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $4,743,000 (2013 $5,401,000) whilst reserves in the Water and Sewerage funds amounted to $6,272,000 and $317,000 respectively.

We note that at year end Council's debtor's position was approx. $1.75 million higher than at the same time in previous year and therefore this has adversely impacted on Council's cash position as at 30th June, 2014.

We also note that Council did not hold any real estate (available for sale).

DENILIQUIN COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Deniliquin Council's infrastructure has been depreciated 50% to a written down value of $138.97 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $48.53 million.

There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries debt of $4,890,000 (2013 $5,491,000). The Water Fund is debt free whilst the borrowings attaching the General Fund and Sewerage Fund amount to $3,459,000 and $1,431,000 respectively.

Deniliquin Council in our opinion has very manageable loan borrowings.

Ratio's

The three main ratio's remain relatively sound, namely:

	2014	**2013**
Unrestricted	3.16	2.57
Debt Service	5.79	6.10
Rates O/S	7.10	12.51

HAY SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,712,000)	(844,000)
Operating Result (adjusted for FAG)	(404,000)	(844,000)
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	1,970,000	1,371,000
Internally & Unrestricted Cash & Investments	2,157,000	2,774,000
Depreciation (% of total Operating Expenses)	2,574,000 (24%)	2,582,000 (25%)
Loans	1,852,000	1,980,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a deficit of approx. $404,000 (2013 deficit of $844,000).

Depreciation expenses amounted to $2,574,000 and represented approx. 24% of total operating expenses. Roads depreciation expense ($1,028,000) accounted for 38% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Interest received amounted to $227,000 (2013 $259,000)
- Private Works income amounted to $164,000 (2013 $274,000)
- No income was received for RMS works
- Losses from the disposal of assets amounted to $27,000 (2013 profit $108,000)
- Interest on loans amounted to $141,000 (2013 $140,000)
- Consumption of raw materials & consumables amounted to $1.76 million (2013 $1.46 million)
- Contractor & Consultancy costs amounted to $1.00 million (2013 $1.57 million)

Hay Shire Council has reported poor operating results and in our opinion Council is unlikely to achieve an operating surplus in the foreseeable future. With limited avenues available to increase its revenue base and with a depreciation percentage in the lower range, Hay Shire Council requires considerable financial assistance.

Additionally, we note that the Water Fund has reported a small deficit ($58,000) whilst the Sewerage Fund has reported an operating surplus of $134,000. Consequently the General Fund (after adjustment for FAG) has reported a deficit of $480,000.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $2,157,000 (2013 $2,774,000) whilst reserves in the Water & Sewerage Funds amounted to $1,642,000 and $2,343,000 respectively.

We note that Council also held real estate (available for sale) of $136,000

HAY SHIRE COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Hay Shire Council's infrastructure has been depreciated 49% to a written down value of $72.41 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $24.49 million.

There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries debt of $1,852,000 (2013 $1,980,000). All borrowings attach to the General Fund.

Although loans are considered low by industry standards we note that Hay Shire Council has limited capacity for further borrowings as it would be unable to responsibly service the commitment.

Ratio's

The unrestricted and debt service ratio's are within industry benchmarks however the rates outstanding ratio remains unacceptably high.

	2014	**2013**
Unrestricted	2.68	3.28
Debt Service	3.80	7.39
Rates O/S	16.05	18.20

JERILDERIE SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,866,000)	(1,435,,000)
Operating Result (adjusted for FAG)	(756,000)	(1,435,000)
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	1,703,000	1,394,000
Internally & Unrestricted Cash & Investments	3,105,000	3,878,000
Depreciation (% of total Operating Expenses)	2,632,000 (29%)	2,829,000 (29%)
Loans	614,000	743,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a deficit of approx. $756,000 (2013 deficit of $1,435,000).

Depreciation expenses amounted to $2,632,000 and represented approx. 29% of total operating expenses. Roads depreciation expense ($1,592,000) accounted for 60% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Interest received amounted to $248,000 (2013 $280,000)
- Private Works & RMS income amounted to $1.46 million (2013 $1.81 million)
- Losses from the disposal of assets amounted to $75,000 (2013 loss $280,000)
- Interest on loans amounted to $56,000 (2013 $63,000)

Jerilderie Shire Council has reported poor operating results and in our opinion Council is unlikely to achieve an operating surplus in the foreseeable future. With limited avenues available to increase its revenue base Jerilderie Shire Council requires considerable financial assistance.

Additionally, we note that the Water and Sewerage Funds have reported small surpluses of $9,000 and $92,000 respectively whilst the General Fund (after adjustment for FAG) has reported a deficit of $857,000.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $3,105,000 (2013 $3,878,000) whilst reserves in the Water & Sewerage Funds amounted to $910,000 and $1,786,000 respectively.

We note that at year end Council's debtor's position was approx. $518,000 higher than at the same time in the previous year however we also note that there was a similar increase in creditors and therefore there has been no real impact on Council's cash position as at 30th June, 2014.

We report that Council also held real estate (available for sale) of $116,000.

JERILDERIE SHIRE COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Jerilderie Shire Council's infrastructure has been depreciated 32% to a written down value of $100.16 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $15.56 million.

There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries debt of $614,000 (2013 $743,000). All borrowings attach to the General Fund.

Although loans are considered low by industry standards we note that Jerilderie Shire Council has limited capacity for further borrowings as it would be unable to responsibly service the commitment.

Ratio's

The unrestricted and debt service ratios are within industry benchmarks however the rates outstanding ratio remains unacceptably high.

	2014	**2013**
Unrestricted	2.89	4.71
Debt Service	4.15	7.58
Rates O/S	12.31	11.91

MURRAY SHIRE COUNCIL

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,196,000)	1,917,000
Operating Result (adjusted for FAG)	742,000	1,917,000
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	6,245,000	6,957,000
Internally & Unrestricted Cash & Investments	7,316,000	8,370,000
Depreciation (% of total Operating Expenses)	6,016,000 (31%)	5,753,000 (30%)
Loans	2,353,000	2,823,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $742,000 (2013 surplus of $1,917,000).

Depreciation expenses amounted to $6,016,000 and represented approx. 31% of total operating expenses. Roads depreciation expense ($3,194,000) accounted for 53% of total depreciation.

Although we observed no significant abnormal items we note the following income & expenditures which have had a material impact on the operating result

- Interest received amounted to $633,000 (2013 $710,000)
- Private Works & RMS income amounted to $1.19 million (2013 $1.20 million)
- Investments losses recouped in 2014 amounted to $Nil (2013 $382,000)
- Losses from the disposal of assets amounted to $120,000 (2013 gain $3,000)
- Interest on loans amounted to $81,000 (2013 $104,000)
- Materials and Consumables amounted to $4.00 million (2013 ($4.77 million)

Murray Shire Council has an enviable record of consistently reporting operating surpluses before capital amounts. This has continued in 2013/2014 (after adjustment for FAG) and has been achieved after allowing for significant deprecation expenses and without undue reliance on income from non-core activities.

Additionally, we note that all Funds have reported an operating surplus being: Water Fund - $504,000, Sewerage Fund - $224,000 and the General Fund (after adjustment for FAG) - $14,000.

Internally & Unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $7,316,000 (2013 $8,370,000) whilst reserves in the Water & Sewerage Funds amounted to $1,291,000 and $3,064,000 respectively.

We note that at year end Council's debtor's position was approx. $294,000 higher than at the same time in the previous year however we also note that there was a similar increase in creditors and therefore there has been no real impact on Council's cash position as at 30th June, 2014.

We report that Council also held real estate (available for sale) of $4,518,000

MURRAY SHIRE COUNCIL (CONT.)

Infrastructure, Property, Plant & Equipment

Murray Shire Council's infrastructure has been depreciated 24% to a written down value of $322.85 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $30.99 million.

Although there is a significant gap between the accumulated depreciation and asset replacement funds held in reserves, we note that Council holds considerable developed real estate which if so desired could be earmarked for future asset replacement.

Loans

Council carries debt of $2,353,000 (2013 $2,823,000). The Sewerage Fund is debt free whilst borrowings attach to the General Fund ($1,822,000) and Water Fund ($531,000).

Council's borrowings are well within its means.

Ratio's

The three main ratio's remain sound, namely:

	2014	**2013**
Unrestricted	3.17	3.99
Debt Service	6.52	8.83
Rates O/S	7.60	5.06

WAKOOL SHIRE COUNCIL)

Key Financial Data

	2014 $	2013 $
Operating Result (before Capital amounts)	(1,657,000)	(746,000)
Operating Result (adjusted for FAG)	116,000	(746,000)
Operating Result (adjusted for FAG) + depreciation +losses on sale – gains on sale – interest rec'd	6,176,000	6,381,000
Internally & Unrestricted Cash & Investments	9,590,000	10,309,000
Depreciation (% of total Operating Expenses)	6,475,000 (37%)	6,780,000 (36%)
Loans	4,268,000	2,429,000

Operating Result

After adjustment for the FAG instalments we estimate the operating result before capital amounts for 2014 to be a surplus of approx. $116,000 (2013 deficit of $746,000).

Depreciation expenses amounted to $6,475,000 and represented approx. 37% of total operating expenses. Roads depreciation expense ($3,261,000) accounted for 50% of total depreciation.

Wakool Shire Council financial results for the past two years have been impacted by significant flood damage and the resulting grant/contribution funds appear to have been brought to account as operating income. We have been unable to determine the extent to which the remediation work to which these grants/contributions were related have been capitalised (if any) and therefore we are unsure as to their impact on the operating result. We do however note that considerable grants and contributions monies remained unspent at year end.

Although we observed no other significant abnormal items we note the following income & expenditures which have also had a material impact on the operating result

- Interest received amounted to $673,000 (2013 $722,000)
- Private Works & RMS income amounted to $1.07 million (2013 $1.16 million)
- Employee costs have greatly reduced in 2013/2014, presumably due to capitalised flood damage works in the previous year
- Contractor & Consultancy costs have also greatly reduced in 2013/2014, presumably due to capitalised flood damage works in the previous year
- Interest on loans amounted to $248,000 (2013 $173,000)
- Losses from the disposal of assets amounted to $258,000 (2013 $1.07 million)

Wakool Shire Council appears heavily reliant on non-core income, namely interest on investments to achieve an operating surplus. This together with the possibility of unspent operating grants have combined to significantly improve Wakool Shire's operating result in 2013/2014. We also note that Council has increased its borrowings in 2013/2014 and we therefore expect borrowings costs to increase in 2014/2015. Consequently, we express concerns about Council's ability to achieve future sustainable operating surpluses.

Additionally, we note the minor funds have reported operating deficits in 2013/2014, namely Water Fund ($49,000) and Sewerage Fund ($16,000) whilst the General Fund (after adjustment for FAG) has reported a surplus of $181,000.

WAKOOL SHIRE COUNCIL (CONT.)

Internally & unrestricted Cash & Investments

Internally and unrestricted cash and investments amounted to $9,590,000 (2013 $10,309,000) whilst reserves in the Water & Sewerage Funds amounted to $1,478,000 and $1,664,000 respectively.

We note that Council also held real estate (available for sale) of $291,000

Infrastructure, Property, Plant & Equipment

Wakool Shire Council's infrastructure has been depreciated 35% to a written down value of $274.46 million. After adjustments for roads, water & sewerage assets accumulated depreciation amounts to $50.43 million.

There is therefore a considerable gap between the accumulated depreciation and asset replacement funds held in reserves.

Loans

Council carries debt of $4,268,000 (2013 $2,429,000). Minimal borrowings are held in the minor funds whilst borrowings in the General Fund amount to $4,196,000.

Although Council's loans would not be considered high by industry standards we note that Wakool Shire Council has limited capacity for further borrowings as it would be unable to responsibly service the commitment.

Ratio's

The unrestricted and debt service ratio's are within industry benchmarks however the rates outstanding ratio remains unacceptably high.

	2014	**2013**
Unrestricted	3.99	4.93
Debt Service	5.06	9.04
Rates O/S	11.58	10.97

APPENDIX IV

COMMUNITY SURVEY RESULTS

CONARGO SHIRE COUNCIL
SURVEY RESULTS

FEBRUARY 2014 SURVEY
421 surveys returned
384 opposing amalgamations
37 supporting amalgamations.

MAY 2015 SURVEY
477 surveys returned
459 opposing amalgamations
18 supporting amalgamations.
96.2% OPPOSING

APPENDIX V

FINANCIAL ANALYSIS/BENCHMARKS

CONARGO SHIRE COUNCIL
RURAL COUNCIL PROPOSAL
CAPITAL BUDGET

CAPITAL FUNDING	2015-16	2016-17	2017-18	2018-19	2019-20	2019-20
Rates & Other Untied Funding	$ 4,342,667	$ 4,725,525	$ 4,968,109	$ 4,855,434	$ 4,995,493	$ 5,080,222
Capital Grants & Contributions	$ 963,044	$ 47,740	$ 16,935	$ 46,080	$ -	$ -
Internal Reserves	$ 3,295,378	$ 308,713	$ 328,011	$ 575,744	$ -	$ -
External Reserves	$ 25,000	$ -	$ -	$ -	$ -	$ -
Income From Sale Plant	$ 1,072,000	$ 873,873	$ 670,758	$ 965,620	$ 665,475	$ 406,688
TOTAL CAPITAL FUNDING	$ 9,698,089	$ 5,955,851	$ 5,983,813	$ 6,442,877	$ 5,660,968	$ 5,486,910
CAPITAL EXPENDITURE						
New Assets:						
-Plant & Equipment	$ 225,000	$ -	$ -	$ -	$ -	$ -
-Land & Buildings	$ 200,000	$ 30,000	$ 58,500	$ -	$ -	$ -
-Roads, Bridges,Footpaths	$ 2,091,869	$ 1,356,680	$ 1,394,274	$ 1,382,772	$ 1,317,224	$ 1,344,633
-Parks & Gardens	$ 335,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
-Office Equipment	$ 4,000	$ -	$ -	$ -	$ -	$ -
-Waste Facilities	$ 365,000	$ -	$ -	$ -	$ -	$ -
-Water Infrastructure	$ 40,000	$ -	$ -	$ -	$ -	$ -
-Other	$ 20,000	$ 14,000	$ -	$ -	$ 10,000	$ -
Renewals (Replacements)						
-Plant & Equipment	$ 2,955,500	$ 1,501,971	$ 1,286,374	$ 1,930,885	$ 1,145,948	$ 883,960
-Office Equipment	$ 32,000	$ 42,420	$ 127,503	$ 34,625	$ 48,788	$ 37,993
-Land & Buildings	$ 50,500	$ 37,000	$ 28,000	$ 33,000	$ 7,500	$ 17,000
-Roads, Bridges,Footpaths	$ 3,369,220	$ 2,838,480	$ 2,978,554	$ 2,950,668	$ 3,020,254	$ 3,091,731
-Water Infrastructure	$ 10,000	$ 35,300	$ 10,609	$ 10,927	$ 11,255	$ 11,593
-Other						
TOTAL CAPITAL EXPENDITURE	$ 9,698,089	$ 5,955,851	$ 5,983,813	$ 6,442,877	$ 5,660,968	$ 5,486,910

CONARGO SHIRE COUNCIL
RURAL COUNCIL PROPOSAL
INCOME STATEMENT

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
REVENUE FROM CONTINUING OPERATIONS										
Rates and annual charges	$ 2,517,100	$ 2,596,521	$ 2,678,438	$ 2,762,932	$ 2,853,083	$ 2,942,974	$ 3,035,692	$ 3,131,325	$ 3,229,967	$ 3,331,710
User charges & fees	$ 440,619	$ 990,348	$ 1,520,770	$ 2,051,445	$ 2,527,832	$ 3,057,375	$ 3,119,135	$ 3,182,157	$ 3,246,467	$ 3,312,093
Interest and Investment Revenue	$ 255,000	$ 240,500	$ 241,010	$ 241,530	$ 267,061	$ 267,602	$ 268,154	$ 268,717	$ 269,291	$ 269,877
Grants and contributions provided for operating purposes	$ 5,186,994	$ 4,673,481	$ 4,702,683	$ 4,810,838	$ 4,833,051	$ 4,947,674	$ 5,065,969	$ 5,188,065	$ 5,314,095	$ 5,444,197
Grants & contributions provided for capital purposes	$ 963,044	$ 57,740	$ 16,935	$ 46,080	$ -	$ -	$ -	$ -	$ -	$ -
Net gain from the disposal of assets	$ 60,217	$ 95,874	-$ 58,394	-$ 97,743	$ 73,000	$ 103,000	$ 95,000	$ 115,000	$ 85,000	$ 110,000
Other revenues	$ 33,200	$ 33,334	$ 33,471	$ 33,610	$ 33,752	$ 33,897	$ 34,045	$ 34,196	$ 34,350	$ 34,507
TOTAL REVENUES FROM CONTINUING OPERATIONS	**$ 9,456,174**	**$ 8,687,797**	**$ 9,134,914**	**$ 9,848,692**	**$ 10,587,778**	**$ 11,352,522**	**$ 11,617,995**	**$ 11,919,461**	**$ 12,179,171**	**$ 12,502,384**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
EXPENSES FROM CONTINUING OPERATIONS										
Employee benefits and on-costs	$ 2,054,608	$ 2,267,242	$ 2,632,648	$ 3,155,788.94	$ 3,841,792	$ 4,695,950.32	$ 4,994,429	$ 5,302,608	$ 5,620,802	$ 5,949,338
Borrowing costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Materials and Contracts	$ 1,411,612	$ 1,666,827	$ 1,693,556	$ 1,700,496	$ 1,364,813	$ 1,153,376	$ 961,176	$ 813,972	$ 625,552	$ 447,698
Depreciation and amortisation	$ 3,378,753	$ 3,434,860	$ 3,446,002	$ 3,457,469	$ 3,461,970	$ 3,516,745	$ 3,572,513	$ 3,629,294	$ 3,687,109	$ 3,745,979
Impairment										
Net Loss from the disposal of assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other expenses	$ 1,033,717	$ 1,060,202	$ 1,058,052	$ 1,088,731	$ 1,120,364	$ 1,152,986	$ 1,186,627	$ 1,221,324	$ 1,257,112	$ 1,294,027
TOTAL EXPENSES FROM CONTINUING OPERATIONS	$ 7,878,689	$ 8,429,132	$ 8,830,258	$ 9,402,485	$ 9,788,940	$ 10,519,057	$ 10,714,745	$ 10,967,198	$ 11,190,575	$ 11,437,043
OPERATING RESULT FROM CONTINUING OPERATIONS	$ 1,577,485	$ 258,665	$ 304,655	$ 446,207	$ 798,838	$ 833,464	$ 903,250	$ 952,263	$ 988,596	$ 1,065,341
OPERATING RESULT FROM DISCONTINUED OPERATIONS										
NET OPERATING RESULT FOR THE YEAR	$ 1,577,485	$ 258,665	$ 304,655	$ 446,207	$ 798,838	$ 833,464	$ 903,250	$ 952,263	$ 988,596	$ 1,065,341
NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS AND CONTRIBUTIONS PROVIDED FOR CAPITAL PURPOSES	$ 614,441	$ 200,925	$ 287,720	$ 400,127	$ 798,838	$ 833,464	$ 903,250	$ 952,263	$ 988,596	$ 1,065,341

CONARGO SHIRE COUNCIL RURAL COUNCIL PROPOSAL BENCHMARKS													
		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		2020-21	2021-22	2022-23	2023-24	2024-25
Operating Performance Ratio	**PER ANNUM**	0.041	0.073	0.073417	0.077746	0.079891	0.081171	0.085211	**AVERAGE 3 Years**	0.062551	0.07486	0.077018	0.079603	0.082091

		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		2020-21	2021-22	2022-23	2023-24	2024-25
Own Source Revenue	**PER ANNUM**	75%	79%	81.7%	81.9%	82.1%	82.2%	82.4%	**AVERAGE 3 Years**	78.58%	80.87%	81.89%	82.03%	82.19%

CONARGO SHIRE COUNCIL
RURAL COUNCIL PROPOSAL
BENCHMARKS

	RATIO	FORMULA	2012-13	2013-14	2014-15	2015/16	2016/17	2017/18	2018/19	2019/20		2012-13	2013-14	2014-15	2014-15	2015/16	2016/17	2017/18	2018/19	2019/20
A	**Operating Performance Ratio**	Total Continuing Operating Revenue (Exc. Capital Grants & Contributions) Less Operating Expenses / Total Continuing Operating Revenue (Exc. Capital Grants & Contributions)	0.065	0.132	0.0193	0.072	0.023	0.032	0.041	0.073	**AVERAGE 3 Years**	0.065	0.13	0.019	0.071333	0.073782	0.038209	0.042394	0.031885	0.048597
B	**Own Source Revenue**	Total Continuing Operating Revenue less all grants & contributions / Total Continuing Operations including Grants & Contributions				35%	46%	48%	47%	56%										
B1	**Own Source Revenue including FAG**	Total Continuing Operating Revenue less all grants & contributions + FAG / Total Continuing Operations including Grants & Contributions	68%	65%	72%	63%	76%	77%	73%	81%					68.31%	67%	70%	72%	75%	77%
C	**Building & Infrastructure Asset Renewal**	Asset Renewals (Building & Infrastructure) / Depreciation	103%	142%	99%	119%	99%	103%	102%	104%					115%	120%	106%	107%	101%	103%
E	**Asset Maintenance Ratio**	Actual Asset Maintenance / Required Asset Maintenance			101%	100%	102%	99%	100%	100%					101%	100%	102%	99%	100%	100%

CONARGO SHIRE COUNCIL
RURAL COUNCIL PROPOSAL
FIRST YEAR IMPLEMENTATION REPORT

Item No.	PROPOSAL	CURRENT COST ($'000)	ESTIMATED COST ($'000)	SAVINGS ($'000)	YEAR COMMENCED	COMMENT
	OPTION 1 - RESOURCE SHARING					
1	Compliance Officer	$ 33	$ 29	$ 4	2017-18	On-going
2	Local Emergency Management Officer (Part-time)	$ 4	$ 4	$ -	2017-18	Improvement in level service.
3	Road Safety Officer	$ -	$ 15	-$ 15	2017-18	Improvement in level service.
4	IT Support	$ 85	$ 60	$ 25	2017-18	On-going savings & improvement in level service.
	OPTION 2 - SHARED ADMINISTRATION					
	No Extra Cost or savings in this option.					
	OPTION 3 - SPECIALTY SERVICES					
1	Specialist Plant	$ -	$ -	$ -	2015-16	Improvement in level service.
2	RMS Contract	$ -		$ 78	2016-17	This is profit on RMS contract.
				$ 156	2017-18	This is profit on RMS contract.
				$ 234	2018-19	This is profit on RMS contract.
				$ 312	2019-20	This is profit on RMS contract.
				$ 390	2020-21	This is profit on RMS contract.
3	Human Resources	$ 40	$ 40	$ -	2017-18	Improvement in level service.
4	Asset Management	$ 55	$ 55	$ -	2017-18	Improvement in level service.
5	Road Construction				2017-18	Savings would depend on number participating and unknown. Would improve level of service for all.
6	Quarry	$ -	$ -	$ -	2017-18	Savings unknown but would provide better quality road material and improve level service.
7	Waste Management	$ -	$ -	$ -	2018-19	Additional income unknown but would allow a waste facility for area.
8	Design & Survey Service	$ 24	$ 24	$ -	2017-18	Improvement in level service.
9	Soil Testing	$ 18	$ 18	$ -	2017-18	Improvement in level service.
	OPTION 4 - STREAMLINED GOVERNANCE					
	No Extra Cost or savings in this option.					
	OPTION 5 - STREAMLINED PLANNING, REGULATION AND REPORTING					
	No Extra Cost or savings in this option.					
	OPTION 6 - SERVICE REVIEW					
	Ongoing Service Review			$ 45	2016-17	On-going savings and improvement in productivity.
	OPTION 7 - ADDITIONAL OPTIONS IDENTIFIED BY COUNCIL					
1	Council Land Development			$ 2	2019-20	Extra rate income and population increase.
2	Provide Retirement Units				2019-20	Feasibility study would show the return on investment. Extra income unknown.
3	Alternative Energy Sources				2017-18	Savings unknown and not included.